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Strictly Confidential (FR) Class I FOMC

September 28, 1984

MONETARY POLICY ALTERNATIVES

Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

STRICTLY CONFIDENTIAL (FR)
CLASS I - FOMC

September 28, 1984

MONETARY POLICY ALTERNATIVES

Recent developments

(1) Preliminary data for September suggest a moderate rebound in M1 to an annual growth rate of perhaps 7 percent after being about unchanged on average in the previous two months, but growth of this aggregate for the June-to-September period remains well below the path of 5 percent or slightly less specified at the last Committee meeting. The estimated level of M1 for September is at the center of its longer-run target range. On a quarterly average basis M1 increased at about a 4-3/4 percent annual rate in the third quarter, about in line with predictions of our quarterly model, given actual income (which turned out to be lower than assumed at the time of the last FOMC meeting) and interest rates.

(2) Growth of M2 also appears to have strengthened in September, after expanding at a sluggish pace over the previous two months. For the June-to-September period, M2 expanded at almost a 6 percent annual rate, well below the 7-1/2 percent objective for that period set by the Committee, and drifted further below the midpoint of its longer-run range. Growth of M3 over the summer slowed to a 7 percent rate, also considerably below Committee expectations. Growth of large CDs outstanding at banks and thrift institutions alike has weakened appreciably since July, owing partly to diminished credit demands on depository institutions and to actual or potential difficulties in CD markets. In particular, a large amount of CDs ran off at the thrift subsidiary of FCA. A sharp runup in government deposits also reduced needs at commercial banks for issuance of large CDs

KEY MONETARY POLICY AGGREGATES
(Seasonally adjusted annual rates of growth)

	July	Aug.	Sept.pe	June to Sept.pe	QIV to Sept.pe
Money and Credit Aggregates					
M1	-1.3	1.8	7.0	2.5	6.0
M2	4.8	4.4	8.3	5.9	6.8
M3	8.4	4.6	7.9	7.0	9.1
Domestic nonfinancial debt	12.8	13.7	--	--	--
Bank credit	8.5	8.4	--	--	--
Reserve Measures[1]					
Nonborrowed reserves[2]	15.0 (1.5)	2.9	.7	6.2 (1.7)	6.9
Total reserves	-1.5	4.7	-6.4	-1.1	6.8
Monetary base	5.5	7.6	-.1	4.4	7.5
Memo: (Millions of dollars)					
Adjustment and seasonal borrowing	916	974	747 3/	--	--
Excess reserves	607	685	647 3/	--	--

Note: Figures in parentheses treat all discount window borrowing by Continental Illinois after May 9 as extended credit and therefore as nonborrowed reserves; such borrowings were formally classified as extended credit on June 7.
1. Growth rates of reserve measures are adjusted to remove the effects of discontinuities resulting from phased changes in reserve ratios under the Monetary Control Act.
2. Includes "other extended credit" from the Federal Reserve.
3. Through September 26.
pe--preliminary estimate.

and other managed liabilities to fund credit growth. By September, M3 had fallen from a level well over its longer-run target range for the year to a point close to the upper limit.

(4) Expansion of private credit demands is estimated to have eased a bit in July and August from the rapid pace of earlier in the year, but this was offset by a surge in federal debt--boosting growth in total domestic nonfinancial debt to a 13-1/4 percent average annual rate in July and August. In private credit markets, the pace of mortgage and consumer borrowing diminished somewhat, and merger financing abated. However, business borrowing remained relatively strong as the financing gap widened. Fragmentary data for September suggest no pickup in private credit flows and a substantial reduction in the pace of federal borrowing. Nevertheless, growth in total debt through the third quarter remains about one-half percentage point above its monitoring range for 1984, after subtracting an estimate for merger-related financing.

(5) Given the continuing shortfall in money growth relative to the Committee's objectives, against the background of data indicating a slowing in the pace of economic expansion in the third quarter, the Desk aimed at a somewhat more ample provision of nonborrowed reserves than would otherwise have been the case, with reserve paths assuming a gradually lower level of borrowing, most recently $750 million, rather than the $1 billion initially employed. Borrowing at the discount window during the two reserve maintenance periods ending in September in fact averaged about $750 million. Over the three month June-to-September period, nonborrowed reserves plus extended credit expanded by about 1-3/4 percent at an annual rate, while total reserves contracted by about one percent.

(6) The easing in bank reserve positions has been reflected in a decline of the federal funds rate from the 11-1/2 to 11-3/4 percent area prevailing immediately following the August FOMC meeting to the area of 11 percent in the most recent reserve maintenance period, with trading on some recent days below 11 percent. It is possible that the extent of decline in the funds rate also has reflected some waning in the reluctance of institutions to borrow at the window or to lend in the funds market as perceptions about the condition of banks have improved. Rates on private money market obligations generally have declined about 40 to 60 basis points since the FOMC meeting, and spreads of such rates over Treasury bill rates have continued to narrow. The 3-month CD rate was recently quoted just under 11 percent; most major banks have lowered their prime rate to 12-3/4 percent. Treasury and corporate bond yields have declined 5 to 25 basis points further, bringing net declines in bond yields since their highs in late June to almost 1-1/2 percentage points.

(7) Conditions in exchange markets have been quite volatile over much of the period since the last FOMC meeting. Despite some easing in U.S. money market conditions, the dollar rose sharply and by September 20 was up by 7 percent. Among the not altogether convincing reasons for the dollar's strength advanced by market participants have been factors weakening the mark in particular--including downward revisions in expectations for economic activity in Germany--the prospect for redenomination of some of Mexico's debt, and apparent lack of concern by official authorities as the dollar continued to rise beyond expectations. On Friday, September 21, the dollar spiked a further two percent, but then dipped upon release of a higher-than-expected CPI figure. The Bundesbank

then surprised the market with very large and visible intervention and the dollar plunged 4 percent by the following Monday morning. The dollar has since recovered somewhat and is currently 5-1/2 percent above its value prior to the last FOMC meeting.

. Intervention by the U.S. over this period totaled $185 million in sales of dollars against marks.

Prospective developments

(8) The table below provides three alternative specifications for growth in the monetary aggregates for the period from September to December, with associated federal funds rate ranges. (More detailed data, including implied growth for the QIV 1983 to QIV 1984 period, can be found in the table and charts on the following pages.) Alternative B--which is expected to involve continuation of roughly the current degree of pressure on bank reserve positions--calls for growth in M1 that would keep this aggregate at the midpoint of the Committee's long-run range, with M2 moving a little higher in its range, though remaining below the midpoint, and M3 continuing near the upper end of its range. Alternative A calls for somewhat faster money growth over the September-to-December period, consistent with an easing in reserve pressures, while alternative C contemplates somewhat slower money growth, associated with tighter reserve conditions. Given the proximity of the end of the year, under all the alternatives growth in M1 for the year would not be far from the 6 percent midpoint of the Committee's long-run range, M2 would be expected to remain around 7 percent--in the lower half of its long-run range--and M3 growth would stay close to the 9 percent upper end of its long-run range.

	Alt. A	Alt. B	Alt. C
Growth from September to December			
M1	7-1/2	6	4-1/2
M2	8	7-1/2	7
M3	9-1/4	9	8-3/4
Federal funds rate range	7-1/2 to 11-1/2	8 to 12	8-1/2 to 12-1/2

Alternative Levels and Growth Rates for Key Monetary Aggregates

	M1			M2			M3		
	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
Monthly Levels									
1984--July	545.6	545.6	545.6	2281.1	2281.1	2281.1	2856.8	2856.8	2856.8
August	546.4	546.4	546.4	2289.5	2289.5	2289.5	2867.8	2867.8	2867.8
September	549.6	549.6	549.6	2305.4	2305.4	2305.4	2886.6	2886.6	2886.6
October	553.0	552.3	551.6	2320.5	2319.7	2318.9	2908.7	2908.1	2907.6
November	556.4	555.1	553.7	2335.9	2334.2	2332.5	2931.1	2930.0	2928.9
December	559.9	557.9	555.8	2351.4	2348.7	2346.0	2953.7	2951.9	2950.1
Growth Rates Monthly									
1984--July	-1.3	-1.3	-1.3	4.8	4.8	4.8	8.4	8.4	8.4
August	1.8	1.8	1.8	4.4	4.4	4.4	4.6	4.6	4.6
September	7.0	7.0	7.0	8.3	8.3	8.3	7.9	7.9	7.9
October	7.4	5.9	4.4	7.9	7.5	7.0	9.2	9.0	8.7
November	7.4	6.1	4.6	8.0	7.5	7.0	9.2	9.0	8.8
December	7.5	6.1	4.6	8.0	7.5	6.9	9.3	9.0	8.7
1984 June to Sept.	2.5	2.5	2.5	5.9	5.9	5.9	7.0	7.0	7.0
1984 Sept. to Dec.	7.5	6.0	4.5	8.0	7.5	7.0	9.3	9.0	8.8
Growth Rates Quarterly Average									
1984--Q1	7.2	7.2	7.2	6.9	6.9	6.9	8.9	8.9	8.9
Q2	6.1	6.1	6.1	6.8	6.8	6.8	10.3	10.3	10.3
Q3	4.7	4.7	4.7	6.1	6.1	6.1	8.0	8.0	8.0
Q4	6.7	5.8	4.8	7.7	7.4	7.1	8.5	8.3	8.2
Memo:									
'83 Q4 to Sept.'84	6.0	6.0	6.0	6.8	6.8	6.8	9.1	9.1	9.1
'83 Q4 to '84 Q4	6.3	6.1	5.8	7.1	7.0	6.9	9.2	9.2	9.1
Longer Run Targets:									
'83 Q4 to '84 Q4		4.0 to 8.0			6.0 to 9.0			6.0 to 9.0	

Chart 1

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Actual and Targeted M1

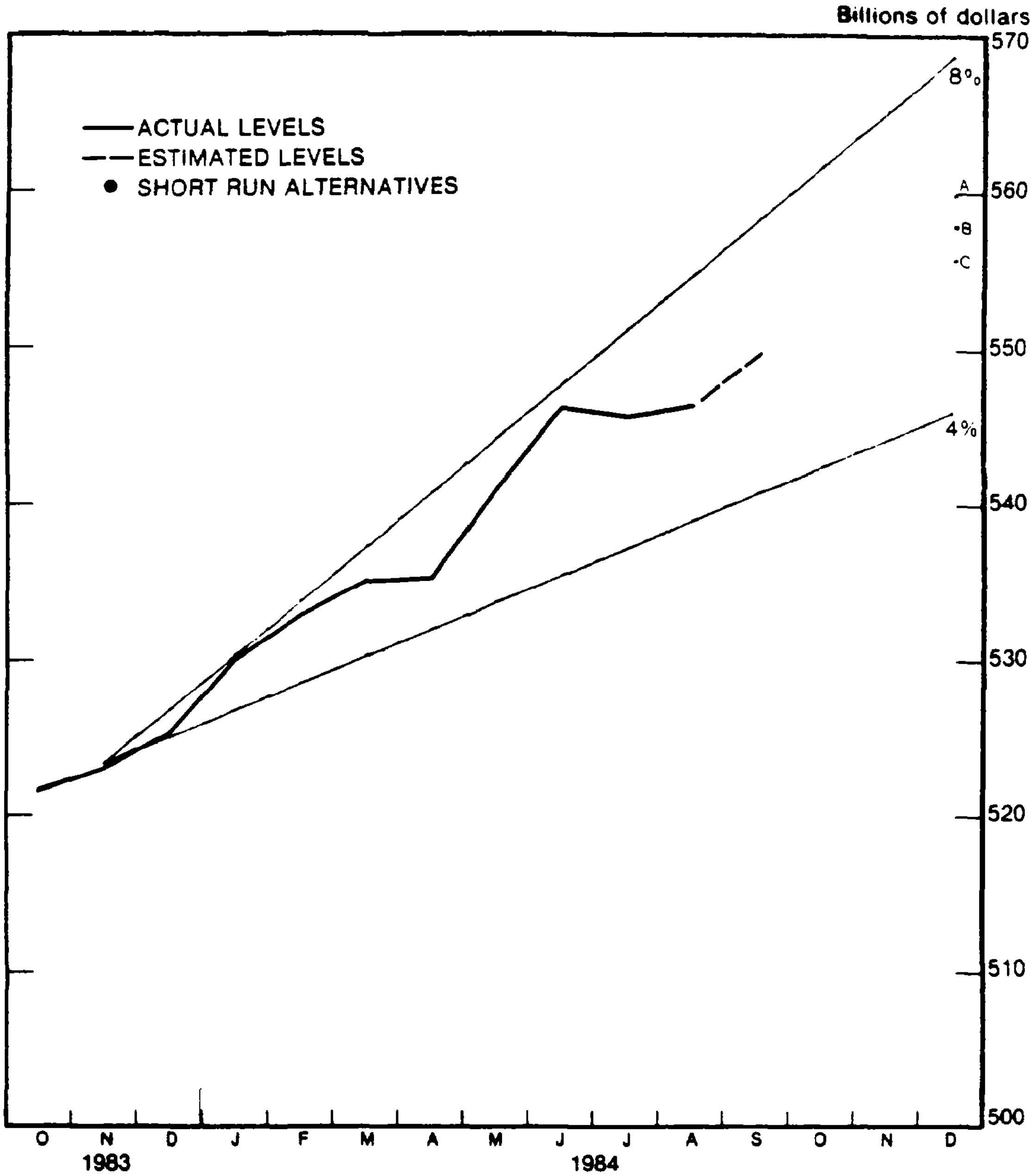


Chart 2

CONFIDENTIAL (FR)
CLASS II FOMC

Actual and Targeted M2

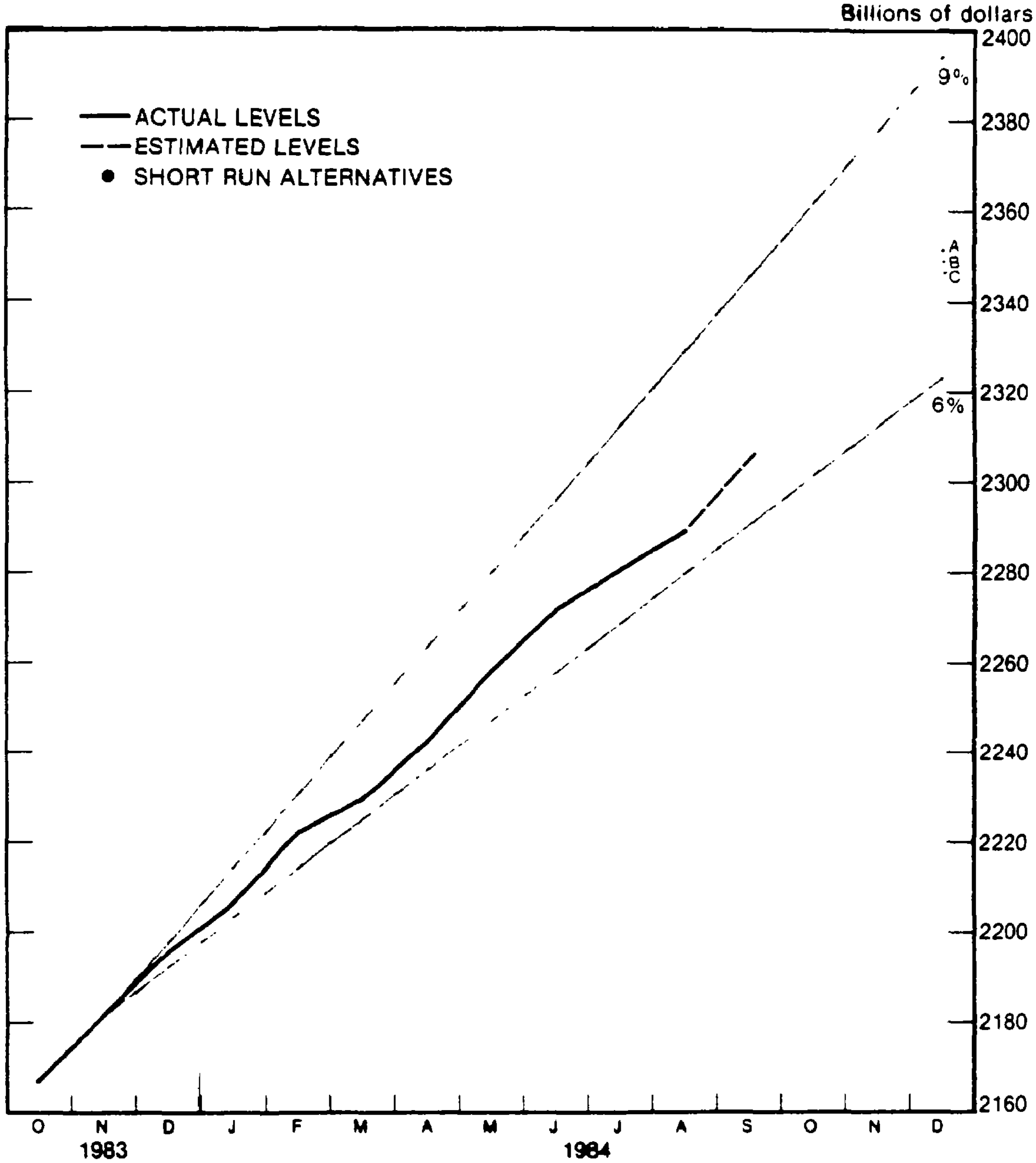
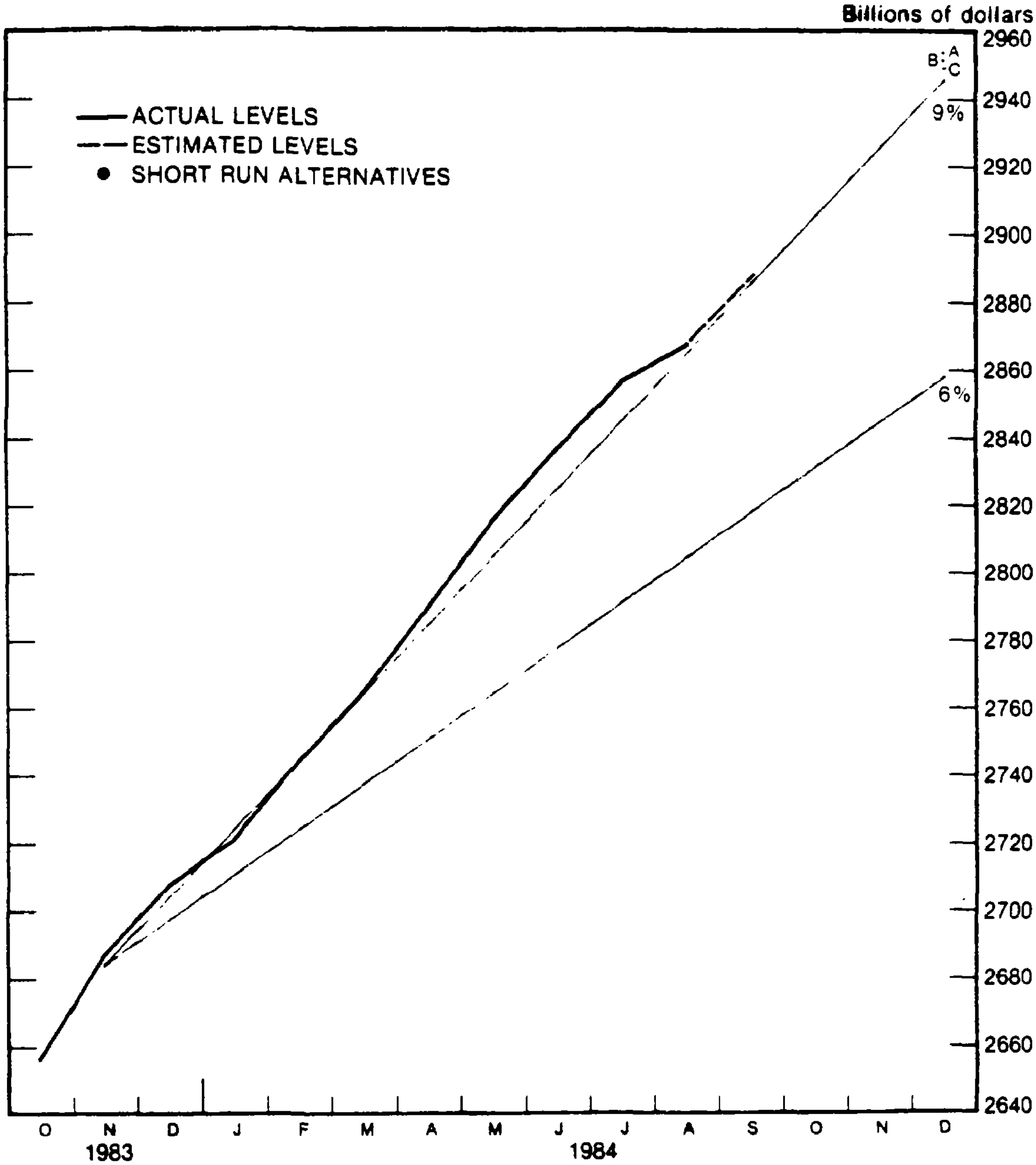


Chart 3

CONFIDENTIAL (FR)
CLASS II FOMC

Actual and Targeted M3



(9) All the alternatives specify more rapid M1 growth over the next three months relative to its sluggish behavior over the June-to-September period. Transactions demands are expected to strengthen in association with the projected pickup in nominal GNP growth in the fourth quarter, while the dampening effects on money demand of earlier increases in short-term interest rates should diminish over the quarter and begin to be reversed by the recent moderate declines in short rates. On a quarterly average basis, M1 in the fourth quarter would increase at a 5-3/4 percent annual rate under alternative B, implying an increase in velocity of around 2-3/4 percent, given the staff's GNP forecast.

(10) Alternative B, and the other alternatives as well, also call for somewhat more rapid growth of M2 over the September-to-December period than in the summer. Spurred by faster income growth and a more favorable alignment of rates on deposits relative to rates on market instruments, the nontransactions component, along with M1, is expected to contribute to the pickup in M2 expansion in the fourth quarter. M3 growth also is expected to quicken. Despite slower credit expansion at thrifts projected for the fourth quarter, the recent weakness in thrift CDs and associated rapid rise in FHLB advances is unlikely to continue, assuming the condition of FCA stabilizes and repercussions on the access of other thrifts to wholesale money markets remain minor. Commercial bank CD issuance is likely to pick up as Treasury deposits decline.

(11) Growth in debt of nonfinancial sectors is projected to moderate over the fourth quarter to around a 10-1/2 percent annual rate, reflecting mainly a slowing in borrowing by private sectors. Households' mortgage and consumer credit usage is expected to weaken a bit further. The financing gap of business is not expected to widen further in the

fourth quarter, and total borrowing by businesses may decrease if merger and related activity continues to moderate as expected. Despite the slowing of credit growth over coming months, for 1984 the debt of non-financial sectors is projected to increase around 12-1/2 percent, compared to the Committee's range of 8 to 11 percent, with about one percentage point of this total attributable to credit associated with merger and related activity.

(12) The specifications of alternative B assume borrowing at the discount window remains around the recent $750 million level. This degree of pressure on reserve positions is likely to involve federal funds trading in the neighborhood of 11 percent, with trading on the low side more likely if rates on alternative sources of funds, such as CDs, remain relatively low, and if a calmer atmosphere in money markets encourages banks to tap these sources more aggressively and to be less reticent about use of the discount window. Nonborrowed and total reserves would each increase at close to a one percent rate over October and November.

(13) With federal funds averaging close to 11 percent, other interest rates are likely to fluctuate around current levels. Rates in short-term markets already appear to have adjusted to federal funds trading in that area, and 3-month Treasury bill rates should remain around 10-1/4 percent, with slightly lower rates developing should funds trade persistently below 11 percent. Further improvement, if any, in long-term markets is expected to be quite limited, given the anticipated strengthening of incoming economic data and the expectation that M1 growth will not fall well below the midpoint of its long-run range. Moreover, during the intermeeting period, note and bond markets will have to absorb a very substantial volume of Treasury issues--including both

the large end-of-quarter note and bond auctions that had to be postponed from late September due to debt ceiling constraints, and the regular mid-quarter refunding scheduled for the first week of November.

(14) The somewhat more rapid money growth specifications of alternative A would be expected to involve a further reduction in pressures on bank reserve positions, with discount window borrowing declining to around $500 million. Nonborrowed reserves would increase at about a 6 percent annual rate over October and November. The federal funds rate would drop to 10-1/4 to 10-1/2 percent, or possibly a little lower if the pattern of discount window borrowing evident before last May reemerges.

(15) Such an easing in bank reserve positions, which is not now expected by market participants, would probably set off a considerable rally in short- and longer-term markets. The Treasury bill rate might decline into the 9-1/2 percent area, and CD rates would drop to around 10-1/2 percent, exerting further downward pressure on the prime rate. Yields on long-term Treasury bonds might decrease initially by at least 1/2 percentage point on expectations that a sustained easing in credit markets might be underway. A portion of the gains in bond markets could later be reversed, however, should incoming data on the economy and money and credit show strength, and as bond issuance by corporations and state and local governments rises further. The dollar would tend to decline on foreign exchange markets, although any declines might be limited should market participants anticipate a subsequent firming of interest rates.

(16) Alternative C, which involves some tightening of money market conditions over the intermeeting period, would be expected to restrain M1 growth over the balance of the year to a rate below the

midpoint of its long-run range and to exert particular restraint on credit growth. Borrowing at the discount window under this alternative would return to around the $1 billion level prevailing over most of the spring and summer, with nonborrowed reserves declining by around 4 percent over October and November. The federal funds rate would be expected to return to the 11-1/2 to 11-3/4 percent area, or possibly a bit higher. The Treasury bill rate would rise to around 10-3/4 percent, CD rates would increase by 1/2 percentage point or perhaps more, and the dollar would probably rise, at least for a while, on foreign exchange markets. With upward pressures reemerging in short-term markets, longer-term yields can be expected to retrace some of the declines since early summer, leading to further reductions in demands for mortgage credit as well as to shifts in borrowing by businesses back toward short-term markets--and also possibly to reconsideration of over-all borrowing and spending programs.

Directive language

(17) Proposed language for the operational paragraph, with alternatives, is shown below.

OPERATIONAL PARAGRAPH

In the implementation of policy in the short run, the Committee seeks to DECREASE SOMEWHAT (ALT. A)/ maintain (ALT. B)/ INCREASE SOMEWHAT (ALT. C) existing pressures on reserve positions. This action is expected to be consistent with growth in M1, ~~at-an-annual-rate-of-around-5-percent or-slightly-less,-and-in~~ M2, and M3 at annual rates of around ~~7-1/2-and-9~~ ___, ____, AND ___ percent respectively during the period from ~~June-to-~~ September TO DECEMBER. Somewhat greater reserve restraint would be acceptable in the event of more substantial growth of the monetary aggregates, while somewhat lesser restraint would be acceptable in the event of significantly slower growth. In either case, such a change would be considered only in the context of appraisals of the continuing strength of the business expansion, inflationary pressures, financial market conditions, and the rate of credit growth. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that pursuit of the monetary objectives and related reserve paths during the period before the next meeting is likely to be associated with a federal funds rate persistently outside a range of ~~8-to-12~~ ____ TO ___ percent.

Selected Interest Rates

Percent

October 1, 1984

Period	Short-Term: federal funds	Short-Term: Treasury bills secondary market 3-month	Treasury bills 6-month	Treasury bills 1-year	CDs secondary market 3-month	comm. paper 1-month	money market mutual fund	bank prime loan	Long-Term: U.S. government constant maturity yields 3-year	10-year	30-year	corporate A utility recently offered	municipal Bond Buyer	home mortgages: conventional at S&Ls	FHA/VA ceiling	FNMA 1-year ARM
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1983--High	10.21	9.49	9.64	9.79	9.93	9.85	8.79	11.50	11.57	12.14	12.11	13.42	10.56	13.89	13.50	12.50
Low	8.42	7.63	7.72	7.82	8.15	8.01	7.71	10.50	9.40	10.18	10.32	11.64	9.21	12.55	11.50	10.49
1984--High	11.77	10.65	10.76	11.09	11.71	11.35	10.72	13.00	13.44	13.84	13.81	15.30	11.44	14.68	14.00	13.70
Low	9.41	8.84	8.94	9.01	9.35	9.16	8.70	11.00	10.87	11.62	11.69	12.83	9.86	13.19	12.50	11.25
1983--Aug.	9.56	9.34	9.51	9.60	9.77	9.41	8.69	10.89	11.30	11.85	11.82	13.16	10.25	13.81	13.38	12.16
Sept.	9.45	9.00	9.15	9.27	9.39	9.19	8.77	11.00	11.07	11.65	11.63	12.98	10.20	13.73	13.00	11.86
Oct.	9.48	8.64	8.83	8.98	9.18	9.03	8.67	11.00	10.87	11.54	11.58	12.89	10.14	13.54	13.00	11.40
Nov.	9.34	8.76	8.93	9.08	9.36	9.10	8.55	11.00	10.96	11.69	11.75	13.14	10.22	13.44	12.50	11.40
Dec.	9.47	9.00	9.17	9.24	9.69	9.56	8.69	11.00	11.13	11.83	11.88	13.29	10.40	13.42	12.50	11.56
1984--Jan.	9.56	8.90	9.02	9.07	9.42	9.23	8.80	11.00	10.93	11.67	11.75	12.99	10.03	13.37	12.50	11.45
Feb.	9.59	9.09	9.18	9.20	9.54	9.35	8.72	11.00	11.05	11.84	11.95	13.05	10.00	13.23	12.50	11.38
Mar.	9.91	9.52	9.66	9.67	10.08	9.81	8.91	11.21	11.59	12.32	12.38	13.63	10.37	13.39	12.70	11.91
Apr.	10.29	9.69	9.84	9.95	10.41	10.17	9.29	11.93	11.98	12.63	12.65	13.96	10.26	13.65	13.00	12.30
May	10.32	9.83	10.31	10.57	11.11	10.38	9.52	12.39	12.75	13.41	13.43	14.79	10.88	13.94	13.94	12.83
June	11.06	9.87	10.51	10.93	11.34	10.82	9.92	12.60	13.18	13.56	13.44	15.00	11.07	14.42	14.00	13.45
July	11.23	10.12	10.52	10.89	11.56	11.06	10.30	13.00	13.08	13.36	13.21	14.93	10.84	14.67	14.00	13.59
Aug.	11.64	10.47	10.61	10.71	11.47	11.19	10.58	13.00	12.50	12.72	12.54	14.12	10.40	14.47	13.70	13.27
1984--July 4	10.91	9.87	10.45	11.08	11.71	11.11	10.05	13.00	13.44	13.83	13.59	15.30	11.11	14.66	14.00	13.70
11	11.25	10.03	10.48	10.97	11.69	11.15	10.21	13.00	13.29	13.62	13.40	14.88	10.88	14.68	14.00	13.60
18	11.21	10.06	10.52	10.91	11.54	11.05	10.33	13.00	13.10	13.35	13.15	14.85	10.75	14.66	14.00	13.55
25	11.19	10.20	10.56	10.85	11.53	11.02	10.39	13.00	12.99	13.27	13.17	14.54	10.62	14.67	14.00	13.50
August 1	11.53	10.34	10.60	10.73	11.38	10.99	10.44	13.00	12.72	12.92	12.89	14.10	10.39	14.68	14.00	13.35
8	11.59	10.49	10.63	10.72	11.41	11.06	10.55	13.00	12.48	12.69	12.65	14.08	10.29	14.54	14.00	13.25
15	11.63	10.36	10.53	10.64	11.43	11.15	10.55	13.00	12.44	12.69	12.51	14.16	10.47	14.39	13.50	13.25
22	11.77	10.37	10.54	10.65	11.51	11.26	10.62	13.00	12.45	12.67	12.43	14.13r	10.38	14.36	13.50	13.20
29	11.50	10.58	10.68	10.78	11.50	11.27	10.60	13.00	12.54	12.76	12.53	14.15	10.45	14.38	13.50	13.30
September 5	11.68	10.65	10.76	10.85	11.57	11.35	10.66	13.00	12.65	12.86	12.56	14.01	10.56	14.42	13.50	13.45r
12	11.52	10.47	10.60	10.66	11.49	11.31	10.68	13.00	12.46	12.64	12.39	13.70	10.47	14.43	13.50	13.25
19	11.46	10.33	10.41	10.42	11.32	11.18	10.72	13.00	12.21	12.37	12.17	13.76	10.47	14.29	13.50	13.00
26	10.73	10.26	10.34	10.38	11.09	10.86	10.51	13.00	12.26	12.45	12.24	13.84	10.65	14.26	13.50	12.90
Daily--Sept. 21	10.89	10.25	10.34	10.40	11.12	10.88	--	13.00	12.21	12.45	12.22	--	--	--	--	--
27	11.00	10.16	10.26	10.30	10.89	10.68	--	12.75	12.13	12.31	12.12	--	--	--	--	--
28	11.04p	10.22	10.34	10.38	10.94	10.74	--	12.75	12.26p	12.46p	12.39p	--	--	--	--	--

NOTE: Weekly data for columns 1 through 11 are statement week averages. Data in column 7 are taken from Donoghue's Money Fund Report. Columns 12 and 13 are 1-day quotes for Friday and Thursday, respectively, following the end of the statement week. Column 13 is the *Bond Buyer* revenue index. Column 14 is an average of contract interest rates on new commitments for conventional first mortgages with 80 percent loan-to-value ratios at a sample of savings and loan associations on the Friday following the end of the statement week. After November 30, 1983, column 15 refers only to VA-guaranteed loans. Column 16 is the initial gross yield posted by FNMA, on the Friday following the end of the statement week, in its purchase program for adjustable-rate home mortgages having rate and payment adjustments once a year.

FR1367(4/84)

Security Dealer Positions

Millions of dollars

October 1, 1984

Period	Net[1] Total	Cash Positions[2]					Forward and Futures Positions				
		Treasury bills	Treasury coupons		federal agency	private short-term	Treasury bills	Treasury coupons		federal agency	private short-term
			under 1 year	over 1 year				under 1 year	over 1 year		
1983--High	20,858	13,273	1,579	8,778	12,088	17,005	1,654	14	1,516	-907	-4,411
Low	-296	-3,461	-687	-3,148	4,013	8,839	-11,307	-95	-3,270	-8,001	-9,564
1984--High	19,038	6,765	1,296	2,477	17,495	15,566*	8,272	22	3,368	-7,223	5
Low	5,047	-12,140	-1,038	-5,533	11,086	11,263	-13,048	327*	-933	-10,622	11,273*
1983--Aug.	13,669	5,929	748	2,639	8,093	10,361	-1,861	-3	-2,706	-3,634	-5,899
Sept.	16,971	8,011	223	6,344	9,285	13,138	-7,309	-2	-2,613	-5,018	-5,090
Oct.	14,672	9,694	609	3,390	10,255	14,242	-9,132	-12	-1,667	-5,909	-6,798
Nov.	15,981	10,762	934	325	9,451	15,302	-7,993	-2	-1,022	-5,445	-6,331
Dec.	18,172	8,653	1,165	-831	11,568	15,449	-5,549	-2	669	-7,354	-5,596
1984--Jan.	12,472	10,815	1,083	677	11,398	12,788	-10,846	-15	-116	-7,474	-5,829
Feb.	9,275	9,658	949	-1,541	12,532	13,345	-8,784	-38	23	-8,192	-8,677
Mar.	15,933	4,619	811	-2,626	16,151	12,764	-1,027	-10	1,042	-9,073*	-6,239
Apr.	14,412	2,929	-32	-1,643	16,649	13,065	-2,136	-13	476	-9,422	-5,462
May	14,177	-7,093	-291	-1,754	16,849	12,525	5,511	-10	351	-9,676	-2,236
June	16,493	-2,628	-596	-3,248	15,996	14,457	2,208	-21	1,453	-9,937	-1,191
July	12,523	-2,362	-604	-3,245	16,040	14,751	-2,516	-89	2,797	-9,650	-2,598
Aug.	11,549	4,546	-89	-1,186	16,098	15,558	-7,293	-240	2,527	-9,030	-9,300
1984--July 4	10,982	-5,310	-1,038	-5,533	15,961	14,834	651	-14	3,127	-10,485	-1,212
11	11,150	-4,371	-670	-2,979	16,889	15,208	-2,333	-10	2,314	-10,622	-2,275
18	12,467	-2,912	-547	-3,560	16,230	15,124	-2,586	-96	2,532	-9,756	-1,961
25	13,537	-223	-615	-3,849	15,190	13,933	-3,393	-144	3,041	-8,617	-1,788
Aug. 1	14,424	**	-275	-1,331	15,791	14,673	-3,131	-147	3,368	-9,071	-5,454
8	15,163	2,696	18	-2,758	17,338	15,526	-2,760	-174	2,875	-9,858	-7,739
15	12,583	4,487	-101	153	15,841	15,466	-8,492	-225	2,051	-8,407	-8,190
22	7,612	5,258	-252	-1,423	14,497	15,566	-9,862	-264	1,910	-8,483	-9,337
29	10,062	5,282	-42	-948	16,423	15,503	-8,350	-327	3,060	-9,265	-11,273
Sept. 5	12,781*	8,459*	173*	-209*	16,626*	16,682*	-8,669*	-209*	2,557*	-9,334*	-13,295*
12	11,255*	9,664*	492*	-227*	16,030*	17,345*	-10,117*	-202*	2,173*	-9,333*	-14,570*
19	6,566*	1,010*	-1,337*	-1,144*	13,879*	18,760*	-9,854*	-77*	2,397*	-7,875*	-9,193*
26	21,963*	9,921*	81*	3,054*	12,148*	17,443*	-9,866*	-75*	2,179*	-7,480*	-5,442*

NOTE: Government securities dealer cash positions consist of securities already delivered, commitments to buy (sell) securities on an outright basis for immediate delivery (5 business days or less), and certain "when-issued" securities for delayed delivery (more than 5 business days). Futures and forward positions include all other commitments involving delayed delivery; futures contracts are arranged on organized exchanges.

1. Cash plus forward plus futures positions in Treasury, federal agency, and private short-term securities.
2. Adjusted for reverses to maturity and related transactions.
* Strictly confidential.
** Less than $500,000.00.

STRICTLY CONFIDENTIAL (FR)
CLASS II-FOMC

Net Changes in System Holdings of Securities[1]

Millions of dollars, not seasonally adjusted

October 1, 1984

Period	Treasury bills net change[2]	Treasury coupons net purchases[3] within 1-year	1-5	5-10	over 10	total	Federal agencies net purchases[4] within 1-year	1-5	5-10	over 10	total	Net change outright holdings total[5]	Net RPs[6]
1979	6,243	603	3,456	523	454	5,035	131	317	5	--	454	10,290	-2,597
1980	-3,052	912	2,138	703	811	4,564	217	298	29	24	668	2,035	2,462
1981	5,337	294	1,702	393	379	2,768	133	360	--	--	494	8,491	684
1982	5,698	312	1,794	388	307	2,803	--	--	--	--	--	8,312	1,461
1983	13,068	484	1,896	890	383	3,653	--	--	--	--	--	16,342	-5,445
1983--QTR. II	5,116	173	595	326	108	1,203	--	--	--	--	--	6,208	-793
III	4,617	156	481	215	124	975	--	--	--	--	--	5,439	9,412
IV	4,738	155	820	349	151	1,474	--	--	--	--	--	6,120	-10,739
1984--QTR. I	-1,168	--	--	-300	--	-300	--	--	--	--	--	-1,555	-286
II	491	198	808	200	277	1,484	--	--	--	--	--	1,918	70
1984--Mar.	3,159	--	--	--	--	--	--	--	--	--	--	3,149	6,807
Apr.	3,283	198	808	200	277	1,484	--	--	--	--	--	4,764	7,286
May	-3,593	--	--	--	--	--	--	--	--	--	--	-3,633	-3,643
June	801	--	--	--	--	--	--	--	--	--	--	786	-3,572
July	-1,497	--	--	--	--	--	--	--	--	--	--	-1,499	-656
Aug.	-2,104	--	--	--	--	--	--	--	--	--	--	-2,110	4,951
JULY 4	--	--	--	--	--	--	--	--	--	--	--	--	904
11	--	--	--	--	--	--	--	--	--	--	--	-1	1,978
18	--	--	--	--	--	--	--	--	--	--	--	--	8
25	-152	--	--	--	--	--	--	--	--	--	--	-152	-5,477
AUG. 1	-1,346	--	--	--	--	--	--	--	--	--	--	-1,351	2,530
8	-1,194	--	--	--	--	--	--	--	--	--	--	-1,194	502
15	-272	--	--	--	--	--	--	--	--	--	--	-272	-5,699
22	-125	--	--	--	--	--	--	--	--	--	--	-125	5,828
29	-700	--	--	--	--	--	--	--	--	--	--	-700	-638
SEPT. 5	1,950	--	--	--	--	--	--	--	--	--	--	1,950	114
12	589	--	--	--	--	--	--	--	--	--	--	588	2,228
19	328	--	--	--	--	--	--	--	--	--	--	328	2,915
26	569	600	--	--	--	600	--	--	--	--	--	1,169	-4,573
LEVEL--Sept. 27	70.1	18.4	34.0	14.8	19.4	86.5	2.5	4.3	1.3	.4	8.5	165.1	-70.1

1 Change from end-of-period to end of period
2 Outright transactions in market and with foreign accounts, and redemptions (--) in bill auctions.
3 Outright transactions in market and with foreign accounts, and short term notes acquired in exchange for maturing bills. Excludes redemptions, maturity shifts, rollovers of maturing coupon issues, and direct Treasury borrowing from the System.
4 Outright transactions in market and with foreign accounts only. Excludes redemptions and maturity shifts.
5 In addition to the net purchases of securities, also reflects changes in System holdings of bankers' acceptances, direct Treasury borrowing from the System and redemptions (--) of agency and Treasury coupon issues.
6 Includes changes in RPs (+), matched sale-purchase transactions (--), and matched purchase-sale transactions (+).