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March 28, 1986

Strictly Confidential (FR) Class I FOMC

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

March 28, 1986

MONETARY POLICY ALTERNATIVES

Recent Developments

(1) After essentially no growth in January, M1 subsequently accelerated, expanding at annual rates of 7-1/4 percent in February and an estimated 14-1/2 percent in March. As a result, M1 grew from November to March above its 7 percent short-run objective--leaving this aggregate somewhat over the upper bound of its 3 to 8 percent long-run target cone. Given the staff's first-quarter GNP forecast, M1 velocity is estimated to have declined at around a 1-3/4 percent annual rate this quarter, compared with its drop of 6 percent over all of 1985. Expansion in M2 also picked up in February and March, but on balance growth was quite modest and the aggregate remained below both the Committee's short-run path and long-run cone. Growth of M3, meanwhile, remained moderate throughout the quarter, with the aggregate essentially on the Committee's short-run path and ending the quarter around the middle of its long-run range.

(2) The recent strength of M1 reflected mainly a sharp acceleration in demand deposits following their runoff in January. OCDs so far in 1986 have grown at about the relatively substantial pace of the last few months of 1985. Available information continues to suggest that the January deregulation of NOW accounts has had little overall impact on M1, with depositories to date generally not posting more liberal contract terms on these accounts. M2 growth was held down by sluggishness in its nontransactions component through most of the quarter. Inflows to retail deposits again appear to have been depressed by household investments in bond and stock mutual funds; in the early months of the year, bond and stock funds

KEY MONETARY AGGREGATES
(Seasonally adjusted annual rates of growth)

	Jan.	Feb.	Mar.p	Nov. to Mar.p	QIV'85 to Mar.p
Money and credit aggregates					
M1	1.1	7.3	14.6	9.0	8.9
M2	1.4	3.6	8.0	5.0	4.9
M3	8.2	6.1	7.6	7.3	7.2
Domestic nonfinancial debt	17.9	10.1p	9.3	15.0	14.5
Bank credit	15.3	4.3	10.0	11.7	11.6
Reserve measures					
Nonborrowed reserves[1]	19.6	8.9	20.0	20.9	18.2
Total reserves	4.8	11.9	15.9	13.8	13.6
Monetary base	8.9	7.6	9.1	8.6	8.7
Memo: (Millions of dollars)					
Adjustment and seasonal borrowing	273	391	243	--	--
Excess reserves	1111	1096	879	--	--

Note: Monthly reserves measures, including excess reserves and borrowing, are calculated by prorating averages for 2-week reserve maintenance periods that overlap months. Data incorporate adjustments for discontinuities associated with implementation of the Monetary Control Act and other regulatory changes to reserve requirements.

1. Includes "other extended credit" from the Federal Reserve.
p--preliminary.

continued to increase at about the elevated 50 percent annual rate that has prevailed since the spring of last year. Within the non-M2 component of M3, large time deposits decelerated over the past two months; while there was a sharp pickup at thrifts, outstanding CDs at commercial banks declined a little.

(3) The expansion in total debt of domestic nonfinancial sectors slowed appreciably over the first quarter following its extraordinary growth late last year. Tax-exempt borrowing was virtually nil, on net, and federal government borrowing dropped off as the Treasury drew down its cash balance to meet a substantial portion of the first-quarter deficit. Although businesses borrowed unusually heavily in long-term bond markets, much of this borrowing substituted for shorter-term sources of credit such as bank loans and commercial paper or served to refund existing long-term debt; on a net basis, credit market borrowing by businesses slowed as the financing gap remained moderate and merger activity abated. Equity issuance, spurred by soaring stock prices, also lessened business needs for borrowed funds. Falling interest rates stimulated mortgage activity, including refinancings, as interest rates in this market reached the lowest level in seven and a half years.

(4) Total and nonborrowed reserves grew at about a 14 percent annual rate on average in February and March, mirroring the strength in transactions deposits. Throughout the intermeeting period the nonborrowed reserves path was constructed on the assumption of $300 million of adjustment plus seasonal borrowing. The allowance for excess reserves was raised to $900 million about midway through the period in view of the recent high levels of excess reserves; in part, this might reflect needs for larger balances related to an expanded volume of clearings associated

with very heavy financial transactions. In the three complete maintenance periods since the last FOMC meeting borrowing averaged $353 million.

(5) The federal funds rate remained mainly between 7-3/4 and 8 percent during the first half of the intermeeting period, but fell to around 7-3/8 percent following the reduction in the discount rate to 7 percent on March 7. Other short-term market rates have declined about 50 to 80 basis points since the last FOMC meeting and the prime rate was reduced from 9-1/2 to 9 percent. Long-term rates have dropped more sharply, reacting to further weakness in oil prices, against a backdrop of mixed economic news and declines in some aggregate price indexes. Corporate and Treasury bond yields have dropped 100 to 150 basis points, while rates for fixed-rate mortgages have declined around 75 basis points. Broad stock price indexes surged over the intermeeting period, increasing about 10 percent.

(6) The trade-weighted average value of the dollar, though firming somewhat in recent days, dropped about 2 percent further on balance since the last FOMC, bringing its total decline since the September G-5 meeting to about 15 percent. It is now nearly 30 percent below its February 1985 peak. During the intermeeting period the dollar reached a postwar low against the yen, prompting

statements of concern and hints of action by Japanese officials. These developments contributed to the recent more general appreciation in the dollar.

Policy alternatives

(7) The table below gives three alternative specifications for growth in the monetary aggregates from March to June, along with associated federal funds rate ranges. More detailed data, including growth rates implied by each alternative from the fourth-quarter base of the Committee's long-run ranges to June, can be found on the table and charts on the following pages.

	Alt. A	Alt. B	Alt. C
Growth from March to June			
M1	9	7-1/2	6
M2	8	7	6
M3	7-1/4	6-1/2	5-3/4
Associated federal funds rate range	5 to 9	5-1/2 to 9-1/2	6 to 10

(8) Under alternative B, which assumes maintenance of about the current degree of pressure on bank reserve positions as indexed by $300 million in borrowing, M1 would be expected to grow at about a 7-1/2 percent annual rate from March to June. This would leave it a little above the upper end of its 3 to 8 percent longer-run range in June. M2 growth at 7 percent over the three months would lift this aggregate to around the lower end of its long-run range. M3 would be somewhat below the midpoint of its range.

(9) With reserve conditions unchanged under alternative B, federal funds would be expected generally to trade in the 7-1/4 to 7-3/8 percent area. Other interest rates may change little, although some reversal of recent declines cannot be ruled out, and on foreign exchange markets the dollar may remain around current levels for a time. To some degree, a further easing in monetary policy over coming months may be built into the

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
Levels in billions									
1986-January	627.1	627.1	627.1	2568.4	2568.4	2568.4	3222.1	3222.1	3222.1
February	630.9	630.9	630.9	2576.1	2576.1	2576.1	3238.6	3238.6	3238.6
March	638.6	638.6	638.6	2593.2	2593.2	2593.2	3259.0	3259.0	3259.0
April	643.1	642.8	642.5	2610.1	2609.2	2608.3	3278.8	3278.0	3277.2
May	647.4	646.5	645.6	2627.1	2624.2	2621.3	3298.5	3295.8	3293.0
June	653.0	650.6	648.2	2645.1	2638.6	2632.1	3317.7	3312.0	3306.3
Monthly Growth Rates									
1986-January	1.1	1.1	1.1	1.4	1.4	1.4	8.2	8.2	8.2
February	7.3	7.3	7.3	3.6	3.6	3.6	6.1	6.1	6.1
March	14.6	14.6	14.6	8.0	8.0	8.0	7.6	7.6	7.6
April	8.5	7.9	7.3	7.8	7.4	7.0	7.3	7.0	6.7
May	8.0	6.9	5.8	7.8	6.9	6.0	7.2	6.5	5.8
June	10.4	7.6	4.8	8.2	6.6	4.9	7.0	5.9	4.8
Quarterly Ave. Growth Rates									
1985-Q2	10.5	10.5	10.5	6.3	6.3	6.3	5.5	5.5	5.5
Q3	14.5	14.5	14.5	9.5	9.5	9.5	7.7	7.7	7.7
Q4	10.6	10.6	10.6	6.0	6.0	6.0	6.4	6.4	6.4
1986-Q1	7.7	7.7	7.7	4.3	4.3	4.3	7.2	7.2	7.2
Q2	9.9	9.1	8.4	7.5	6.9	6.4	7.2	6.8	6.5
Nov.85 to Mar.86	9.0	9.0	9.0	5.0	5.0	5.0	7.3	7.3	7.3
Dec.85 to Mar.86	7.7	7.7	7.7	4.3	4.3	4.3	7.3	7.3	7.3
Feb.86 to June 86	10.5	9.4	8.2	8.0	7.3	6.5	7.3	6.8	6.3
Mar.86 to June 86	9.0	7.5	6.0	8.0	7.0	6.0	7.2	6.5	5.8
Q4 85 to Mar. 86	8.9	8.9	8.9	4.9	4.9	4.9	7.2	7.2	7.2
Q4 85 to June 86	9.1	8.4	7.7	6.3	5.9	5.4	7.3	7.0	6.7
1986 Target Ranges:		3 to 8			6 to 9			6 to 9	

Chart 1

ACTUAL AND TARGETED M1

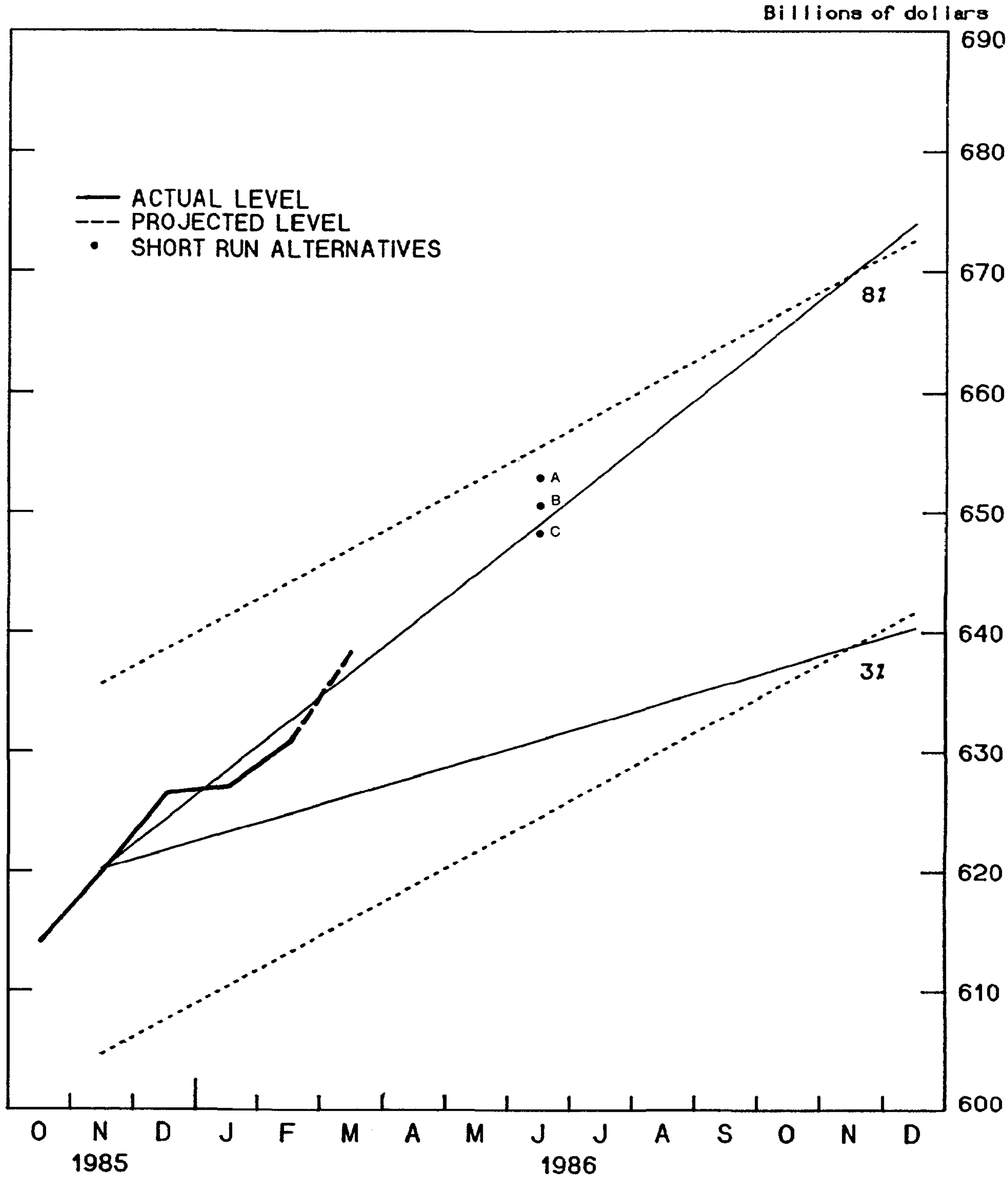


Chart 2
ACTUAL AND TARGETED M2

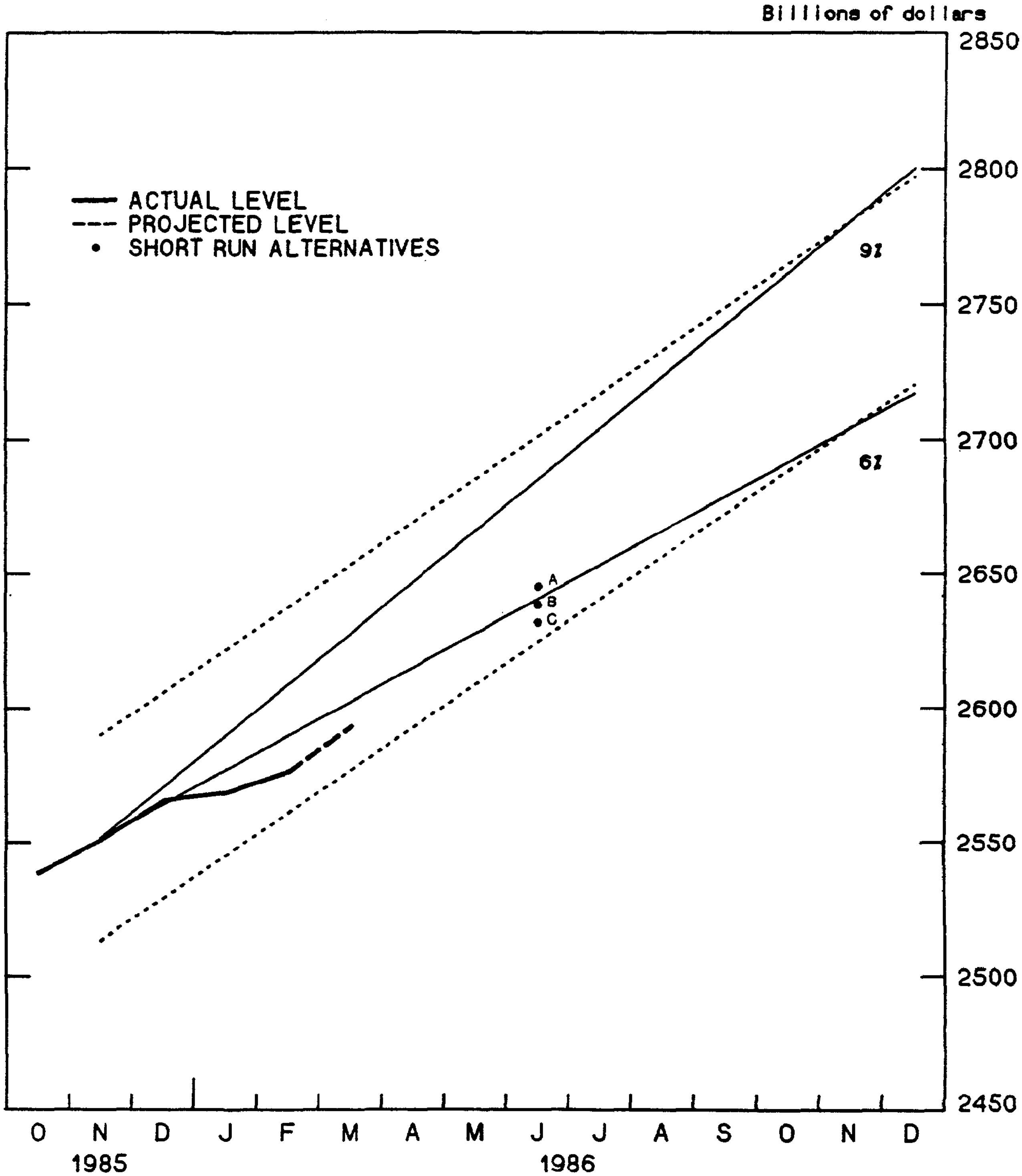


Chart 3

ACTUAL AND TARGETED M3

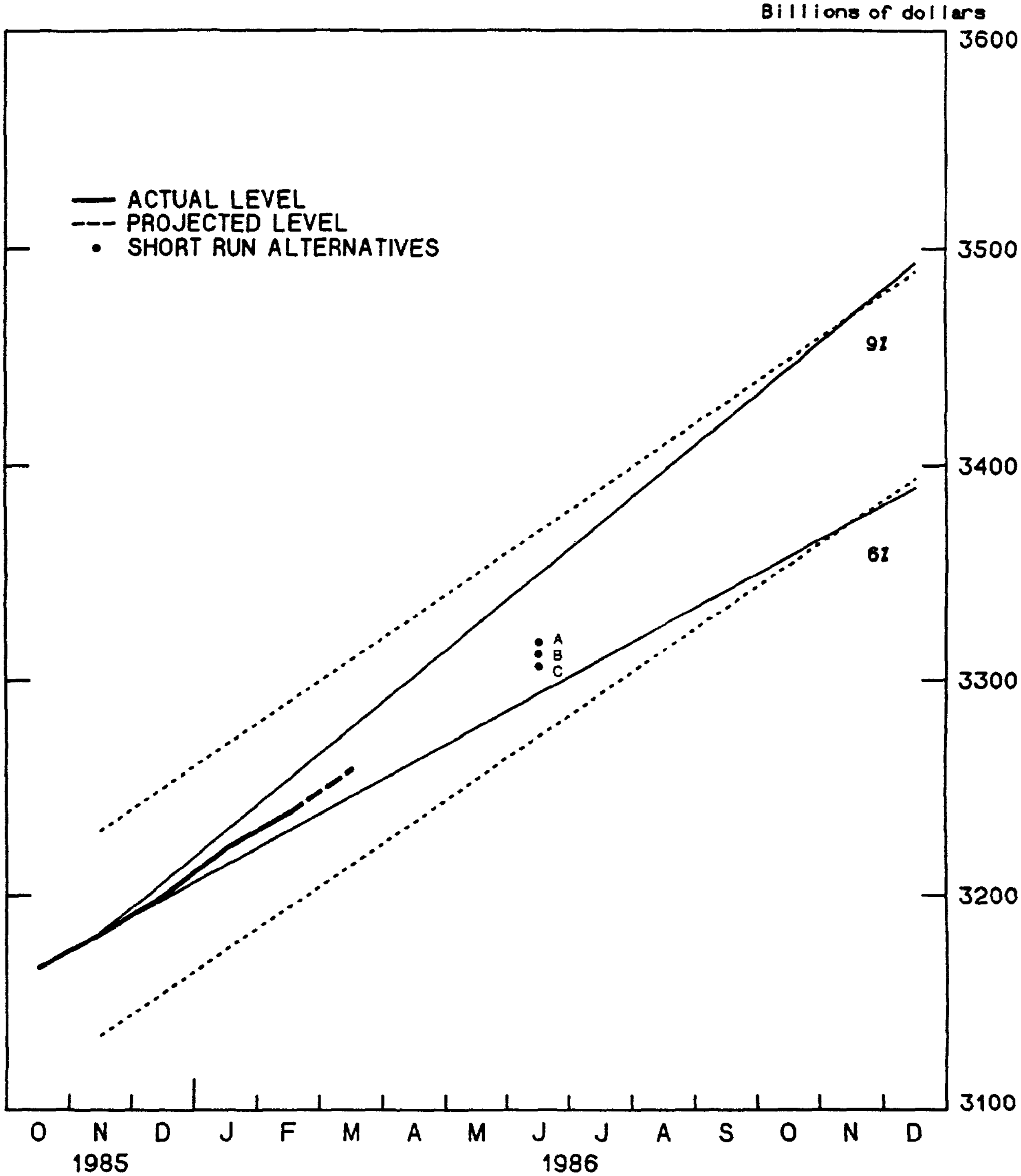
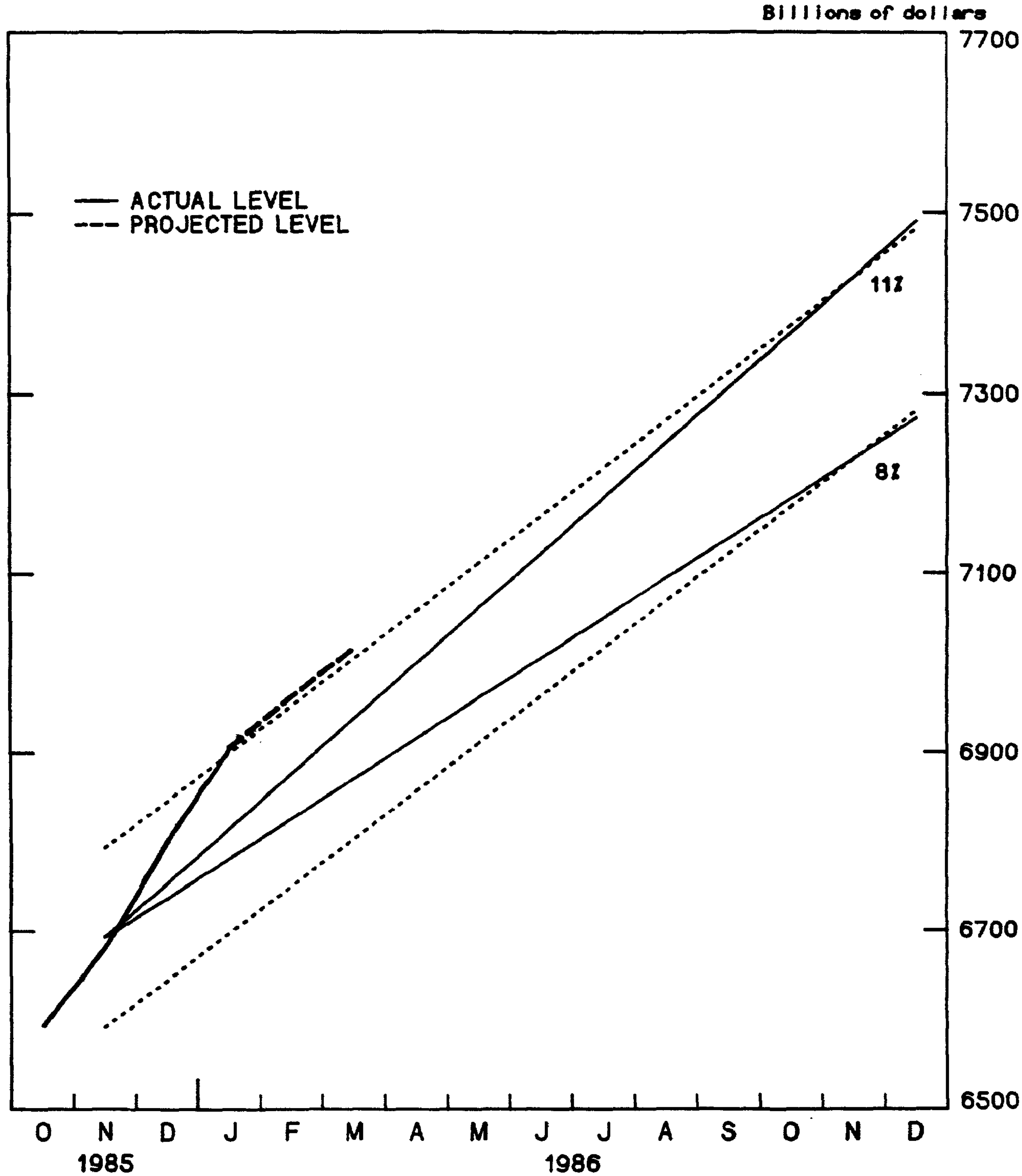


Chart 4

DEBT


Billions of dollars
ACTUAL LEVEL
PROJECTED LEVEL
11%
8%
7700
7500
7300
7100
6900
6700
6500
O
N
D
J
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existing interest rate structure. Thus, should the market come to view such an easing as unlikely, the 3-month bill rate could back up into the 6-1/2 to 6-3/4 percent area. Bond yields may come under upward pressure as well, though they are likely to continue to be influenced importantly by movements in oil prices. On the supply side of the bond market, offerings are expected to remain relatively heavy. Though corporate issuance may ease back from recent record levels reached in response to the decline in rates so far this year, Treasury bond issuance will pick up now that the Congressional ceiling on high coupon bonds has been lifted.

(10) M1 growth in the March to June period under this alternative is expected to remain at about the same rate on average as over the first three months of the year. The transactions demand for M1 is projected to slacken, given the slowing in nominal GNP growth expected by the staff in the second quarter and probably also a drop-off in the heavy volume of financial transactions that accompanied the surge in stock and bond prices of recent months. On the other hand, demands for M1 are likely to be boosted somewhat over the next few months by the recent declines in short-term interest rates. The accompanying flattening of the yield curve, by working to reduce offering rates on small time deposits, would also seem to add to demands for interest-bearing M1 balances.[1] On a quarterly average basis, M1 would be expected to expand at a 9 percent annual rate in the second quarter under alternative B, implying a drop in velocity at around a 4 percent annual rate, given the staff GNP forecast.

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1. M1 is not expected to be affected by limits on daylight overdrafts that went into effect on March 27. Only a small number of institutions are constrained by the initial caps. Moreover, results of a survey of large institutions indicate that, in adapting to the new regulation, banks are not looking to higher demand deposits but are emphasizing other approaches, such as restructuring federal funds transactions and adjusting the timing of payments.

(11) M2 under alternative B would be expected to increase considerably more rapidly from March to June than its relatively sluggish rate of growth in the first quarter, partly as shifts to bond and stock investment vehicles moderate as portfolio adjustments to the recent surge in securities prices abate.[1] The continued moderate M3 growth under this alternative presumes that bank credit growth will remain relatively subdued.

(12) The debt of domestic nonfinancial sectors is likely to grow over the second quarter at around the much reduced pace of the first quarter, although the level of debt in June would still be somewhat above the upper limit of the FOMC's monitoring range. Federal borrowing is projected to be larger on a seasonally adjusted basis in the spring than in winter, when a sharp drop in the Treasury cash balance had financed a substantial portion of the deficit. Municipal security issuance also is likely to pick up a bit from the early months of the year. On the other hand, households, while apt to maintain a relatively steady pace of fixed-rate mortgage borrowing in response to recent rate declines, are expected to ease demands for consumer credit in light of their already heavy debt burden. Businesses will continue to focus on longer-term markets as sources of funds, but overall net borrowing should be kept subdued by a continued modest financing gap and diminishing merger and acquisition activity.

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1. The final phase-out of savings deposit rate ceilings on April 1 is not expected to have a perceptible impact on money growth, given the wide variety of deregulated accounts already available and the likelihood that funds shifted into newly deregulated accounts will come predominantly from other M2 components.

(13) Alternative A encompasses some easing of reserve conditions, with discount window borrowing dropping to minimum levels of $100 to $150 million, and the federal funds rate averaging around, or a little below, the 7 percent discount rate. While some monetary easing may be anticipated in the current structure of market rates, those interest rates probably would decline further under this approach, partly on more widespread expectations of another reduction in the discount rate. Depending on the pervasiveness of such expectations, the 3-month Treasury bill rate may fluctuate around a 6 to 6-1/4 percent area. Long-term rates are not likely to decline by more than short-term rates, and probably by less, assuming no further change in inflation expectations. The dollar would probably again come under downward pressure, particularly if other leading central banks did not also ease monetary conditions.

(14) M1 growth would be expected to strengthen under alternative A to around 9 percent over March to June, moving this aggregate further above the upper end of its long-run range, though within its parallel band. Even more rapid growth could occur, given the very narrow spread that could develop between rates on market instruments, MMDAs and time deposits and those on NOW accounts--especially if institutions are reluctant to reduce the latter in the fluid competitive environment following full deregulation. Strong demands for money may well continue later in the year partly in lagged response to the rate declines associated with this alternative. Under those circumstances, and particularly if transactions-related demands were also on the strong side, greater restraint on reserve positions and an increase in interest rates might be needed at some point later in the year if M1 were to be constrained within its longer-run range for 1986.

(15) Under alternative A, the stronger growth of M2--bolstered by inflows from market instruments mainly into MMMFs and MMDAs--would move this aggregate up into its longer-run range by June. The acceleration of M3 would probably be less. Bank credit growth through the second quarter would be further restrained by softness in business loans as corporations rely more heavily on bond financing in response to a further drop in long-term rates.

(16) Alternative C entails a firming of reserve conditions characterized by discount window borrowing rising to around $500 million. The federal funds rate would probably move up to the 7-3/4 to 8 percent area. Such a tightening is not anticipated by market participants, and substantial upward rate movements would probably occur. The 3-month bill rate would rise to above 7 percent. Long-term rates would also back up considerably for a time, but upward pressures should abate as corporate bond issuance drops off and as incoming data continue to suggest low inflation. The foreign exchange value of the dollar would tend to firm over the short run.

(17) M1 growth under the money market and reserve conditions of alternative C would be expected to slow over the March to June period, bringing this aggregate to within its long-run range by June. However, M2 would remain noticeably below the lower end of its long-run range, though within its parallel band. Moreover, if growth of M2 within its longer-run range for the year is to be attained, the higher level of rates is likely to prove unsustainable, particularly if it worked to restrain economic expansion significantly.

Directive language

(18) Draft language for the operational paragraph, with the usual alternatives, is shown below with suggested deletions from the current directive indicated in strike-through form and proposed additions in caps. The proposed format follows that used at the December and February meetings in highlighting the uncertainties surrounding the behavior of M1. With regard to the issue of intermeeting adjustments in the degree of reserve pressure, the draft retains the symmetrical language of the last directive. An asymmetric approach could of course be indicated by insertion of "might" or "would" as appropriate.

OPERATIONAL PARAGRAPH

In the implementation of policy for the immediate future, the Committee seeks to DECREASE SOMEWHAT (Alt. A)/maintain (Alt. B)/ INCREASE SOMEWHAT (Alt. C) the existing degree of pressure on reserve positions. This action is expected to be consistent with growth in M2 and M3 over the period from ~~November to~~ March TO JUNE at annual rates of about ~~6~~ ___ percent and ~~7~~ ____ percent, respectively; while the behavior of M1 continues to be subject to unusual uncertainty, growth at an annual rate of about ~~7~~ ____ percent over the period is anticipated. Somewhat greater reserve restraint or somewhat lesser reserve restraint might be acceptable depending on behavior of the aggregates, the strength of the business expansion, developments in foreign exchange markets, progress against inflation, and conditions in domestic and international credit markets. The Chairman may call for Committee consultation if it appears to the

Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of ~~6-to-10~~ ___ TO ___ percent.

Selected Interest Rates

Percent

March 31, 1986

Period	Short-term: federal funds	Short-term: Treasury bills secondary market, 3-month	Short-term: Treasury bills secondary market, 6-month	Short-term: Treasury bills secondary market, 1-year	Short-term: CDs secondary market 3-month	Short-term: comm. paper 1-month	Short-term: money market mutual fund	Short-term: bank prime loan	Long-Term: U.S. government constant maturity yields, 3-year	Long-Term: U.S. government constant maturity yields, 10-year	Long-Term: U.S. government constant maturity yields, 30-year	Long-Term: corporate A utility recently offered	Long-Term: municipal Bond Buyer	Long-Term: conventional home mortgages, secondary market, fixed-rate	Long-Term: conventional home mortgages, primary market, fixed-rate	Long-Term: conventional home mortgages, primary market, ARM
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1985--High	8.98	8.65	9.03	9.21	9.13	8.83	8.31	10.75	11.19	11.95	11.89	13.23	10.31	13.57	13.29	11.14
Low	7.13	6.77	6.92	7.06	7.34	7.22	7.00	9.50	8.24	9.07	9.34	10.62	8.85	10.52	11.09	9.17
1986--High	9.55	7.21	7.30	7.35	7.94	7.91	7.22	9.50	8.60	9.38	9.52	10.83	8.72	10.97	10.99	9.09
Low	7.25	6.41	6.47	6.52	7.16	7.22	6.85	9.00	7.24	7.72	7.91	9.29	7.55	9.74	10.01	8.58
1985--Feb.	8.50	8.27	8.39	8.56	8.69	8.46	7.80	10.50	10.55	11.51	11.47	12.76	10.07	13.05	12.92	10.63
Mar.	8.58	8.52	8.90	9.06	9.02	8.74	7.97	10.50	11.05	11.86	11.81	13.17	10.23	13.48	13.17	10.90
Apr.	8.27	7.95	8.23	8.44	8.49	8.31	7.97	10.50	10.49	11.43	11.47	12.75	9.85	13.07	13.20	10.83
May	7.97	7.48	7.65	7.85	7.92	7.80	7.71	10.31	9.75	10.85	11.05	12.25	9.46	12.65	12.91	10.55
June	7.53	6.95	7.09	7.27	7.44	7.34	7.21	9.78	9.05	10.16	10.45	11.60	9.18	11.88	12.22	9.89
July	7.88	7.08	7.20	7.31	7.64	7.58	7.03	9.50	9.18	10.31	10.50	11.64	9.20	11.94	12.03	9.68
Aug.	7.90	7.14	7.32	7.48	7.81	7.73	7.08	9.50	9.31	10.33	10.56	11.76	9.44	12.04	12.19	9.52
Sept.	7.92	7.10	7.27	7.51	7.93	7.83	7.10	9.50	9.37	10.37	10.61	11.87	9.61	12.11	12.19	9.52
Oct.	7.99	7.16	7.33	7.45	7.88	7.81	7.15	9.50	9.25	10.24	10.50	11.82	9.54	11.97	12.14	9.50
Nov.	8.05	7.24	7.30	7.33	7.81	7.84	7.21	9.50	8.88	9.78	10.06	11.35	9.22	11.51	11.78	9.38
Dec.	8.28	7.10	7.14	7.16	7.80	7.87	7.23	9.50	8.40	9.26	9.54	10.93	8.96	10.83	11.26	9.19
1986--Jan.	8.14	7.07	7.17	7.21	7.82	7.78	7.15	9.50	8.41	9.19	9.40	10.74	8.50	10.79	10.88	9.01
Feb.	7.86	7.06	7.11	7.11	7.69	7.70	7.11p	9.50	8.10	8.70	8.93	10.21	7.99	10.45	10.71	8.93
1985--Dec. 18	8.05	7.04	7.03	7.06	7.66	7.78	7.25	9.50	8.27	9.16	9.46	10.68	8.90	10.72	11.14	9.17
25	8.02	7.07	7.09	7.10	7.76	7.83	7.21	9.50	8.24	9.07	9.34	10.62	8.85	10.52	11.09	9.17
1986--Jan. 1	9.55	6.99	7.05	7.08	7.77	7.91	7.22	9.50	8.23	9.01	9.28	10.59	8.72	10.52	10.81	9.04
8	8.20	7.09	7.13	7.14	7.76	7.78	7.21	9.50	8.27	9.05	9.29	10.83	8.51	10.82	10.75	9.02
15	7.94	7.21	7.30	7.35	7.94	7.83	7.09	9.50	8.60	9.38	9.52	10.75	8.54	10.97	10.99	9.09
22	7.87	7.05	7.18	7.25	7.84	7.80	7.16	9.50	8.48	9.26	9.42	10.82	8.46	10.87	10.97	8.93
29	7.83	6.97	7.09	7.14	7.80	7.73	7.15	9.50	8.36	9.15	9.38	10.67	8.29	10.75	10.89	8.97
Feb. 5	7.97	7.00	7.06	7.08	7.72	7.70	7.15	9.50	8.21	9.03	9.30	10.58	8.24	10.67	10.85	8.98
12	7.85	7.15	7.20	7.19	7.76	7.72	7.09	9.50	8.23	9.00	9.22	10.27	8.09	10.57	10.80	9.00
19	7.84	7.06	7.13	7.12	7.69	7.72	7.12	9.50	8.11	8.72	8.96	10.01	7.95	10.47	10.68	8.90
26	7.82	7.05	7.08	7.08	7.66	7.68	7.09	9.50	8.04	8.46	8.67	9.48	7.66	10.07	10.51	8.84
Mar. 5	7.89	6.94	6.91	6.88	7.56	7.62	7.11	9.50	7.66	8.06	8.22	9.56	7.57	10.02	10.20	8.67
12	7.52	6.62	6.60	6.62	7.26	7.28	7.06	9.07	7.31	7.83	8.04	9.37r	7.55	9.74	10.01	8.58
19	7.47	6.54	6.59	6.59	7.16	7.23	6.93	9.00	7.29	7.78	7.97	9.38	8.13	9.87	10.01	8.67
26	7.25	6.41	6.47	6.52	7.17	7.22	6.85	9.00	7.24	7.72	7.91	9.29	7.69	9.82	10.10	8.67
Daily--Mar. 21	7.17	6.41	6.49	6.54	7.17	7.19	--	9.00	7.28	7.80	7.98	--	--	--	--	--
27	7.42	6.34	6.32	6.37	7.14	7.27	--	9.00	7.13	7.49	7.63	--	--	--	--	--
28	M	A		R	K		E	T	C	L		O	S		E	D

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 the FNMA purchase yield, plus loan servicing fee, on 30-day mandatory delivery commitments on the Friday following the end of the statement week. Column 15 is the average contract rate on new commitments for fixed-rate mortgages (FRMs) with 80 percent loan-to-value ratios at a sample of savings and loans. Column 16 is the average initial contract rate on new commitments for one-year, adjustable-rate mortgages (ARMs) at S&Ls offering both FRMs and ARMs with the same number of discount points.

FR 1367 (12/85)

Money and Credit Aggregate Measures

Seasonally adjusted

Strictly Confidential (FR)—
Class II FOMC

MAR. 31, 1986

Period	Money stock measures and liquid assets						Bank credit	Domestic nonfinancial debt[2]		
	M1	M2	nontransactions components		M3	L	total loans and investments[1]	U.S. government[2]	other[2]	total[2]
			in M2	in M3 only						
	1	2	3	4	5	6	7	8	9	10
PERCENT ANNUAL GROWTH:										
ANNUALLY (QIV TO QIV)										
1983	10.4	12.2	12.8	1.0	9.9	10.4	10.6	21.5	8.5	11.2
1984	5.4	8.0	8.8	21.2	10.5	11.9	10.8	15.8	13.8	14.3
1985	11.9	8.6	7.6	3.9	7.7	8.5	9.9	15.2	13.6	13.9
QUARTERLY AVERAGE										
2ND QTR. 1985	10.5	6.3	5.0	2.6	5.5	6.0	9.7	12.5	12.0	12.1
3RD QTR. 1985	14.5	9.5	8.0	0.2	7.7	7.8	9.6	14.6	12.3	12.9
4TH QTR. 1985	10.6	6.0	4.6	8.2	6.4	9.5	8.8	15.0	14.2	14.4
1ST QTR. 1986 PE	7 ¾	4 ¼	3 ¼	18 ¾	7 ¼					
MONTHLY										
1985--MAR.	6.1	3.8	3.0	10.4	5.1	8.0	11.6	8.7	11.9	11.2
APR.	7.3	2.5	1.0	0.8	2.1	1.9	4.9	11.9	12.4	12.3
MAY	14.2	8.6	7.0	0.6	7.0	6.0	13.4	15.8	11.5	12.5
JUNE	17.3	13.3	11.9	2.3	11.0	9.3	9.5	14.4	11.7	12.4
JULY	10.8	8.3	7.4	-3.7	5.9	6.1	10.9	16.7	12.0	13.1
AUG.	17.3	9.3	6.8	-2.1	7.0	9.0	6.5	13.9	12.8	13.0
SEPT.	13.3	6.7	4.6	11.7	7.7	9.4	8.2	7.9	13.3	12.1
OCT.	5.1	4.2	3.9	11.0	5.6	7.0	2.0	8.9	13.4	12.4
NOV.	11.5	5.9	4.0	6.1	5.9	12.2	16.4	24.1	13.4	15.9
DEC.	12.6	7.0	5.2	7.0	7.0	11.1	16.6	29.1	19.6	21.8
1986--JAN.	1.1	1.4	1.4	35.7	8.2		15.3	17.0	18.5	18.2
FEB.	7.3	3.6	2.4	16.3	6.1		4.3	9.5	10.8	10.5
MAR. PE	15	8	6	6	8					
MONTHLY LEVELS ($BILLIONS)										
1985--OCT.	614.1	2538.3	1924.2	627.8	3166.1	3761.6	1844.4	1518.0	5076.1	6594.2
NOV.	620.0	2550.7	1930.6	631.0	3181.6	3800.0	1869.6	1548.5	5132.9	6681.5
DEC.	626.5	2565.5	1939.0	634.7	3200.2	3835.3	1895.5	1586.0	5216.7	6802.7
1986--JAN.	627.1	2568.4	1941.3	653.6	3222.1		1919.6	1608.5	5297.2	6905.7
FEB.	630.9	2576.1	1945.2	662.5	3238.6		1926.4	1621.3	5344.9	6966.2
WEEKLY LEVELS ($BILLIONS)										
1986--FEB. 3	624.8									
10	631.3									
17	630.5									
24	634.1									
MAR. 3	631.9									
10P	637.6									
17P	638.4									

1/ ANNUAL RATES FOR BANK CREDIT ARE ADJUSTED FOR A TRANSFER OF LOANS FROM CONTINENTAL ILLINOIS NATIONAL BANK TO THE FDIC BEGINNING SEPTEMBER 26, 1984.

2/ DEBT DATA ARE ON A MONTHLY AVERAGE BASIS, DERIVED BY AVERAGING END-OF-MONTH LEVELS OF ADJACENT MONTHS, AND HAVE BEEN ADJUSTED TO REMOVE DISCONTINUITIES.

P-PRELIMINARY

PE-PRELIMINARY ESTIMATE

Components of Money Stock and Related Measures

Billions of dollars, seasonally adjusted unless otherwise noted

MAR. 31, 1986

Period	Currency	Demand deposits	Other checkable deposits	Overnight RPs and Eurodollars NSA	MMDAs NSA	Savings deposits	Small denomination time deposits[1]	Money market mutual funds, NSA: general purpose, and broker/dealer[2]	Money market mutual funds, NSA: institutions only	Large denomination time deposits[3]	Term RPs NSA	Term Eurodollars NSA	Savings bonds	Short-term Treasury securities	Commercial paper	Bankers acceptances
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
ANNUALLY (4TH QTR):																
1983	147.2	243.4	130.2	53.6	376.2	309.7	775.0	138.2	43.2	325.2	48.0	89.3	70.9	211.1	127.5	44.0
1984	157.8	247.1	144.2	56.1	405.1	291.0	881.8	161.7	57.7	409.8	65.6	81.8	74.0	268.6	158.7	44.2
1985	169.7	268.4	176.2	66.5	508.6	303.2	877.3	176.8	64.1	433.0	62.7	78.8	79.0	295.1	199.6	42.7
MONTHLY																
1985-FEB.	160.7	251.2	152.2	64.6	450.5	289.9	885.2	175.1	62.2	416.9	58.4	81.3	74.9	270.4	164.8	45.0
MAR.	161.3	251.4	154.1	63.4	460.2	289.7	885.0	177.6	59.5	421.0	58.7	84.7	75.3	274.8	169.8	46.3
APR.	161.9	251.8	156.5	57.8	462.5	289.0	887.6	176.2	59.6	425.9	59.8	80.9	75.7	276.0	168.9	45.9
MAY	163.2	255.4	158.4	61.3	466.4	290.8	889.5	172.2	63.5	425.0	57.7	81.4	76.1	277.4	168.6	44.5
JUNE	164.4	259.0	161.8	60.8	478.1	293.6	890.3	175.4	67.1	422.7	57.1	79.2	76.5	282.6	164.7	42.8
JULY	165.3	260.4	164.8	60.7	487.2	296.7	888.0	175.8	65.0	418.3	55.7	78.8	76.7	279.9	171.1	42.2
AUG.	166.9	263.1	169.0	63.6	495.2	299.7	880.9	176.8	63.6	421.0	57.1	80.0	77.2	278.1	182.0	42.2
SEPT.	167.7	266.4	171.5	64.1	499.8	300.3	878.3	176.7	62.3	425.6	58.5	80.2	78.0	281.3	186.6	42.5
OCT.	168.7	266.0	173.6	64.6	504.2	302.3	875.7	177.0	63.3	429.7	59.5	79.4	78.5	281.4	191.7	43.9
NOV.	169.8	267.8	176.6	65.6	509.6	303.7	876.0	176.8	64.5	432.9	63.0	79.8	79.0	299.5	196.8	43.1
DEC.	170.6	271.5	178.5	69.2	512.1	303.6	880.3	176.5	64.6	436.4	65.7	77.2	79.5	304.4	210.2	41.1
1986-JAN.	171.9	268.9	180.4	67.2	515.8	304.0	886.1	177.7	66.8	447.8	68.5	75.9				
FEB.	172.9	269.1	183.0	67.0	516.5	304.9	891.1	180.9	67.2	451.0	70.4	78.7				

1/ INCLUDES RETAIL REPURCHASE AGREEMENTS. ALL IRA AND KEOGH ACCOUNTS AT COMMERCIAL BANKS AND THRIFT INSTITUTIONS ARE SUBTRACTED FROM SMALL TIME DEPOSITS.
2/ EXCLUDES IRA AND KEOGH ACCOUNTS.
3/ NET OF LARGE DENOMINATION TIME DEPOSITS HELD BY MONEY MARKET MUTUAL FUNDS AND THRIFT INSTITUTIONS.
P-PRELIMINARY

Net Changes in System Holdings of Securities[1]

Millions of dollars, not seasonally adjusted

March 31, 1986

Period	Treasury bills net change[2]	Treasury coupons net purchases[3]					Federal agencies net purchases[4]					Net change outright holdings total[5]	Net RPs[6]
		within 1-year	1-5	5-10	over 10	total	within 1-year	1-5	5-10	over 10	total		
1980	-3,052	912	2,138	703	811	4,564	217	398	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
1984	3,779	826	1,938	236	441	3,440	--	--	--	--	--	6,964	1,450
1985	14,596	1,349	2,185	358	293	4,185	--	--	--	--	--	18,619	3,001
1985--QTR. I	-2,044	961	465	-100	--	1,326	--	--	--	--	--	-735	462
II	7,183	245	846	108	96	1,295	--	--	--	--	--	8,409	-350
III	4,027	--	6	6	--	12	--	--	--	--	--	3,962	-3,446
IV	5,431	143	868	345	197	1,552	--	--	--	--	--	6,983	6,336
1985--Sept.	1,171	--	--	--	--	--	--	--	--	--	--	1,171	-1,578
Oct.	-265	--	--	--	--	--	--	--	--	--	--	-265	-732
Nov.	1,180	--	--	--	--	--	--	--	--	--	--	1,180	-718
Dec.	4,515	143	868	345	197	1552	--	--	--	--	--	6,068	7,785
1986--Jan.	61	--	--	--	--	--	--	--	--	--	--	61	3,466
Feb.	-3,277	--	--	--	--	--	--	--	--	--	--	-3,277	198
1985--Dec. 4	3,699	--	--	--	--	--	--	--	--	--	--	3,699	12,098
11	442	143	868	345	197	1,552	--	--	--	--	--	1,995	-6,194
18	170	--	--	--	--	--	--	--	--	--	--	170	607
25	15	--	--	--	--	--	--	--	--	--	--	15	-2,548
1986--Jan. 1	216	--	--	--	--	--	--	--	--	--	--	216	5,075
8	--	--	--	--	--	--	--	--	--	--	--	--	-4,999
15	134	--	--	--	--	--	--	--	--	--	--	134	3,037
22	152	--	--	--	--	--	--	--	--	--	--	152	4,896
29	--	--	--	--	--	--	--	--	--	--	--	--	-4,768
Feb. 5	-940	--	--	--	--	--	--	--	--	--	--	-940	-7,440
12	-1650	--	--	--	--	--	--	--	--	--	--	-1,650	3,646
19	-195	--	--	--	--	--	--	--	--	--	--	-195	119
26	-717	--	--	--	--	--	--	--	--	--	--	-717	1,576
Mar. 5	--	--	--	--	--	--	--	--	--	--	--	--	-1,308
12	--	--	--	--	--	--	--	--	--	--	--	--	4,809
19	--	--	--	--	--	--	--	--	--	--	--	--	-5,405
26	138	--	--	--	--	--	--	--	--	--	--	138	3,644
LEVEL--Mar. 26	81.7	22.9	32.3	15.1	22.0	92.4	2.7	3.8	1.3	.4	8.2	187.0	-1.0

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 purchase 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 (+).