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[1] In some cases, original copies needed to be photocopied before being scanned into electronic format. All scanned images were deskewed (to remove the effects of printer- and scanner-introduced tilting) and lightly cleaned (to remove dark spots caused by staple holes, hole punches, and other blemishes caused after initial printing).

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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

May 10, 1991

MONETARY POLICY ALTERNATIVES

Recent Developments

(1) In the period immediately after the March FOMC meeting the Desk sought to maintain existing reserve pressures, consistent with federal funds continuing to trade in the area of 6 percent. Reserve targets were based initially on an allowance for adjustment plus seasonal borrowing of $125 million. Through the end of April, the federal funds rate averaged a little below 6 percent, with downward pressure coming at times from market anticipation of further policy easing and from unexpected surpluses of reserves. On April 30, in response to indications of continued economic weakness and abating inflationary pressures, the discount rate was reduced 1/2 percentage point to 5-1/2 percent. Half of this reduction was allowed to pass through to the federal funds rate. Consistent with the wider spread between the federal funds rate and the discount rate, the borrowing allowance was raised by $25 million.[1] Thus far in the current maintenance period, the federal funds rate has averaged 5.78 percent, and borrowing is just below its path allowance of $200 million. Borrowing during each complete maintenance period since the FOMC meeting averaged close to its allowance.

(2) Most money market interest rates fell 35 to 45 basis points during the intermeeting period, somewhat more than the decrease in the federal funds rate.[2] About half of the decline occurred in advance of

1. In addition, the borrowing allowance was increased by $25 million on April 18, and again on May 2, to keep up with expected increases in seasonal borrowing.
2. Discussions of interest and exchange rates and stock prices are based on data through noon, May 10.

the policy easing, as the near-term response of aggregate demand to the end of the Gulf War and to earlier monetary policy easings seemed to be less buoyant than many had expected. Banks cut the prime rate 1/2 percentage point shortly after the easing but, at 8-1/2 percent, it remains high relative to market interest rates. Despite the sense of a delay in the recovery, market participants appeared to retain optimism about longer-term economic prospects: Treasury bond yields dropped less than 10 basis points over the intermeeting period; risk premia on corporate debt, which had fallen sharply in February and March, declined further, in some cases to or below levels prevailing before the recession; and major stock price indexes, although not sustaining the record levels reached midway through the period, still rose on balance. Prices of bank debt and equity outpaced the broader averages, reflecting the anticipated effects of lower interest rates on bank profitability as well as first-quarter earnings reports that, in general, were not as bad as had been feared.

(3) Despite the drop in U.S. interest rates, the dollar rose almost 2 percent on a weighted average basis over the intermeeting period amid considerable volatility. Although no foreign authorities followed the Federal Reserve's easing move, short-term interest rates abroad declined by about 25 basis points over the period, mitigating downward pressures on the dollar from the drop in rates here. The dollar was boosted by political developments in Germany and the Soviet Union, particularly in late April when it rose rapidly against the mark. The dollar dropped sharply from its late April peak, especially following the Federal

Reserve's discount rate action, but has since recovered somewhat.

. The Desk did not intervene.

(4) After accelerating earlier in the year, the monetary aggregates slowed appreciably in April. Though M2 growth was only 2-1/2 percent at an annual rate, it was sufficient to maintain this measure near the middle of its annual range. M3 stalled last month after meager expansion in March, bringing this aggregate down into the middle portion of its annual range.

(5) M2 growth for April was well below expectations, and its sluggishness appears to reflect a number of factors. Currency stopped growing last month, as net demands from abroad apparently turned negative on balance. Some slowing of the monetary aggregates had been anticipated this April, in part owing to lower final tax liabilities for 1990 and an associated smaller-than-usual buildup of liquid household balances. In the event, tax payments came in even below projections, likely contributing to the unexpected weakness of M2.[3] Over the years, April money growth frequently has deviated from expectations, reflecting the

3. With contractions in currency and demand deposits and modest growth in other checkable deposits, M1 fell at a 1 percent annual rate in April, and required reserves were flat. The average level of excess reserves declined a little further, to $1,050 million, only about $100 million or so above the level typical before the reduction in reserve requirements. The slight decline in currency, together with a drop in total reserves, caused the monetary base to contract at a 1-1/2 percent annual rate last month.

MONEY, CREDIT, AND RESERVE AGGREGATES
(Seasonally adjusted annual rates of growth)

	March	April	QIV'90 to April
Money and credit aggregates			
M1	9.3	-1.0	5.5
M2	7.5	2.6	4.3
M3	2.7	0.0	3.6
Domestic nonfinancial debt	4.2	--	5.0[1]
Bank credit	6.8	-0.1	2.9
Reserve measures			
Nonborrowed reserves[2]	-0.4	-2.6	5.7
Total reserves	-1.1	-3.7	4.9
Monetary base	6.0	-1.4	10.4
Memo: (Millions of dollars)			
Adjustment plus seasonal borrowing	188	145	--
Excess reserves	1179	1050	--

1. Q4 to March.
2. Includes "other extended credit" from the Federal Reserve.

NOTE: Monthly reserve measures, including excess reserves and borrowing, are calculated by prorating averages for two-week reserve maintenance periods that overlap months. Reserve data incorporate adjustments for discontinuities associated with changes in reserve requirements.

difficulty of capturing massive tax-related flows in seasonal factors.[4] The expansionary effects of the drop in short-term rates on money demand may have been mitigated to the extent that holders of small time deposits and money funds were encouraged by the unusually low level of own rates and the steep yield curve to shift funds to capital market instruments. Finally, the shortfall in money growth may be partly related to the lower-than-expected nominal income implied by recent data.

(6) The weakness of M3, while reflecting in part the sluggish expansion of M2, also accords with a picture of contracting credit at depository institutions. Bank credit was unchanged in April; all major loan categories showed appreciable weakness. The modest growth of core deposits and the decline in loans left banks with a surfeit of funds, leading domestically chartered banks to continue to purchase substantial volumes of securities and to run off large time deposits. Thrift institutions also continued to pay down sizable volumes of large CDs in April, while their core deposits rose only slightly, suggesting that the drop in their assets continued despite a lull in RTC activity. Though still brisk, issuance of large CDs by U.S. branches and agencies of foreign banks slowed, reflecting quarter-end downsizing in response to capital standards. By and large, the proceeds of these CDs appear not to be financing credit to U.S. residents, but rather to be substituting for other sources of funding at the U.S. branches and agencies and their offices abroad. Thus far this year, increases in these Yankee CDs have

4. Partial data for the first week in May show a substantial rebound in M2, supporting the notion that some of the April weakness was due to temporary tax-related influences.

accounted for two-thirds of the 3-1/2 percent annualized growth in M3 from its fourth-quarter base.

(7) Growth of domestic nonfinancial sector debt apparently remained damped in March and April, leaving this aggregate well down in its monitoring range. In the federal sector, borrowing needs have been limited temporarily by contributions related to Operation Desert Storm and by the slow pace of RTC resolutions. Private credit growth appears to have remained weak. Demands for funds this year have been restrained not only by slow spending, but also by a marked abatement of net equity retirements as corporate restructuring ebbed and equity issuance surged. On the supply side, securities markets have become more receptive to private borrowers, including those with below-investment grade ratings. In the improved securities market environment, banks have raised substantial volumes of debt and equity capital in recent months, but as indicated by the latest survey of senior loan officers and by continued wide spreads of bank lending rates over costs of funds, they remain very cautious lenders. Reflecting these patterns, offerings of nonfinancial corporate bonds and commercial paper were brisk, with the funds apparently used in part to pay down bank loans. The few available indicators for the household sector point to quite sluggish borrowing. Consumer loan growth at banks in April was anemic, even after adjusting for securitizations, and home equity loans at banks continued their sharp

deceleration of the past few months. Widening spreads between rates on mortgage and consumer debt, on the one hand, and those on household assets, on the other, may be encouraging some deleveraging of this sector.

Policy Alternatives

(8) Two policy alternatives for Committee consideration are discussed below. Under alternative B, the federal funds rate would remain in the 5-3/4 percent area, in association with an initial specification for adjustment plus seasonal borrowing of $225 million--an increase of $25 million from the current level to take account of the likely rise of seasonal borrowing. Under alternative A, federal funds would trade around 5-1/4 percent; this level could be achieved either by a reduction in the initial borrowing specification to $175 million together with the current 5-1/2 percent discount rate, or by a cut in the discount rate to 5 percent combined with the $225 million initial borrowing specification.[5] Dropping the funds rate below the discount rate and operating at frictional levels of borrowing could have the minor disadvantage of further circumscribing the role of the discount window in cushioning unexpected shifts in reserve supply and demand, thereby adding a little to volatility in the funds rate.

(9) Money growth projections under the two alternatives are shown below. (More detailed data appear in the table and charts on the following pages.) Under both alternatives, the monetary aggregates are expected to strengthen in May and June from their reduced April rates, keeping M2 and M3 in the middle portions of their annual ranges through midyear. The projected pickup in M2 growth primarily reflects the unwinding of apparently tax-related weakness in April. The effects of previous

5. Under any of these policy approaches, further increases in seasonal borrowing are likely to necessitate upward technical adjustments to the borrowing assumption over the intermeeting period.

declines in interest rates continue to contribute to the growth of M2 relative to income. However, largely because of the downward revisions to forecasts for nominal income in the second quarter, we now expect M2 growth over March to June to fall short of the pace specified in the last directive. This shortfall occurs despite the slight easing in money market rates at the end of April and persists even with the further drop in rates under alternative A. The March-to-June growth projected for M3 also has been lowered since the last meeting, but in this case the reduction results entirely from the aggregate's unexpected weakness in April. Projected expansion of M3 in May and June is about the same as in the last bluebook, as additional issuance of CDs by U.S. branches and agencies of foreign banks offsets the effect of slower growth in M2 and depository credit.

	Alt. A	Alt. B
Growth from March to June		
M2	4-1/2	4
M3	2-1/4	2
M1	3-3/4	3
Implied growth from 1990:Q4 to June		
M2	4-3/4	4-1/2
M3	3-1/2	3-1/2
M1	5-3/4	5-1/2

Alternative Levels and Growth Rates for Key Monetary Aggregates

	M2		M3		M1	
	Alt. A	Alt. B	Alt. A	Alt. B	Alt. A	Alt. B
Levels in billions						
1991 January	3333.1	3333.1	4126.9	4126.9	826.7	826.7
February	3357.2	3357.2	4164.2	4164.2	836.4	836.4
March	3378.3	3378.3	4173.6	4173.6	842.9	842.9
April	3385.7	3385.7	4173.7	4173.7	842.2	842.2
May	3397.8	3396.7	4181.4	4181.0	846.6	846.2
June	3416.7	3412.0	4196.3	4193.9	850.6	849.0
Monthly Growth Rates						
1991 January	1.1	1.1	3.7	3.7	1.9	1.9
February	8.7	8.7	10.8	10.8	14.1	14.1
March	7.5	7.5	2.7	2.7	9.3	9.3
April	2.6	2.6	0.0	0.0	-1.0	-1.0
May	4.3	3.9	2.2	2.1	6.2	5.7
June	6.7	5.4	4.3	3.7	5.8	4.0
Quarterly Ave. Growth Rates						
1990 Q1	6.2	6.2	2.9	2.9	5.2	5.2
Q2	3.9	3.9	1.3	1.3	4.2	4.2
Q3	3.0	3.0	1.6	1.6	3.7	3.7
Q4	2.1	2.1	1.0	1.0	3.4	3.4
1991 Q1	3.6	3.6	4.3	4.3	5.8	5.8
Q2	5.2	5.0	2.8	2.7	5.3	5.0
Dec. 90 to Mar. 91	5.8	5.8	5.8	5.8	8.5	8.5
Mar. 91 to June 91	4.5	4.0	2.2	1.9	3.7	2.9
Q4 89 to Q4 90	3.8	3.8	1.7	1.7	4.2	4.2
Q4 90 to Q1 91	3.6	3.6	4.3	4.3	5.8	5.8
Q4 90 to Q2 91	4.4	4.3	3.5	3.5	5.6	5.5
Q4 90 to Apr. 91	4.3	4.3	3.6	3.6	5.5	5.5
Q4 90 to June 91	4.7	4.4	3.5	3.4	5.7	5.4
1991 Target Ranges:	2.5 to 6.5		1.0 to 5.0			

Chart 1

ACTUAL AND TARGETED M2

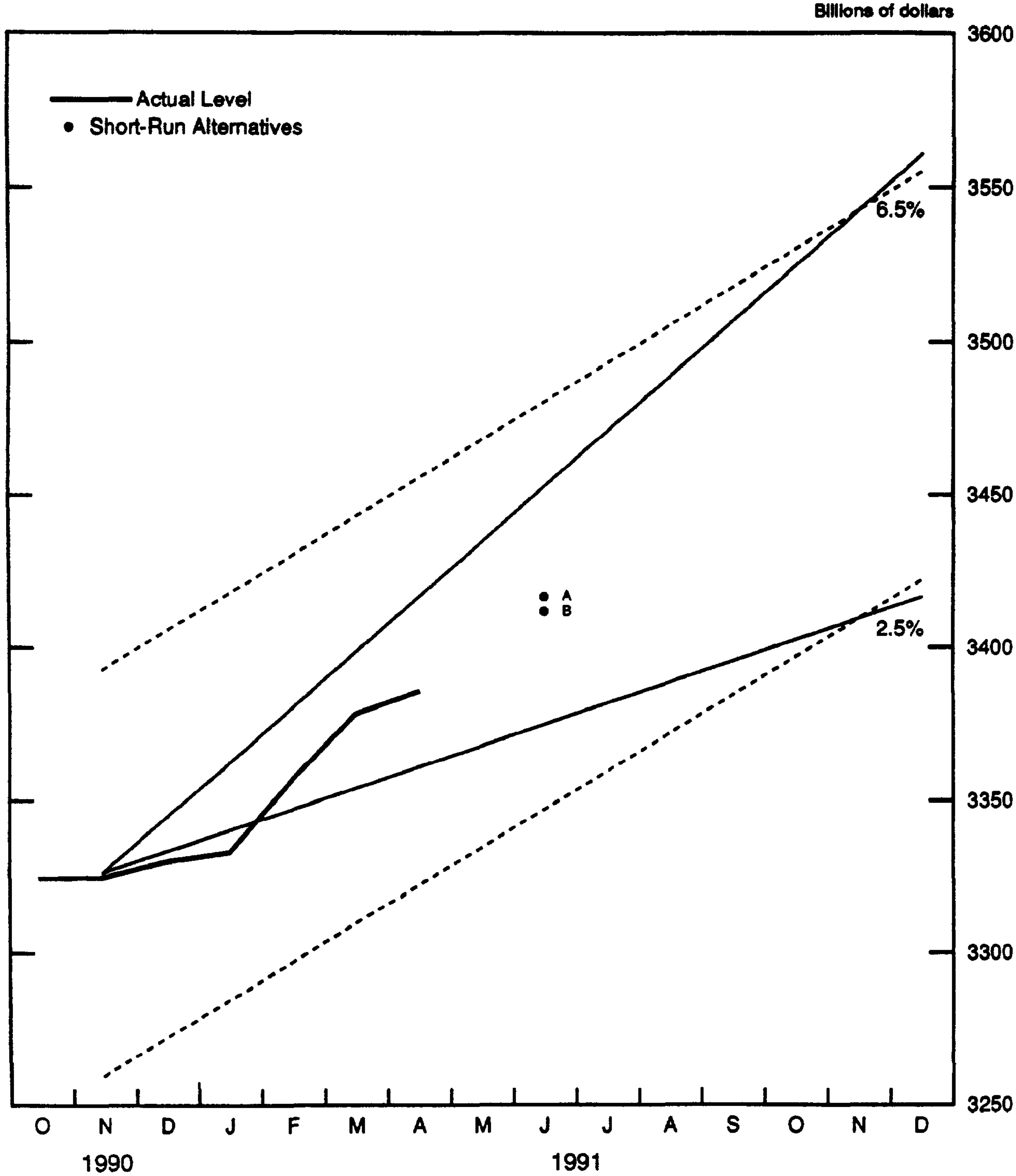


Chart 2

ACTUAL AND TARGETED M3

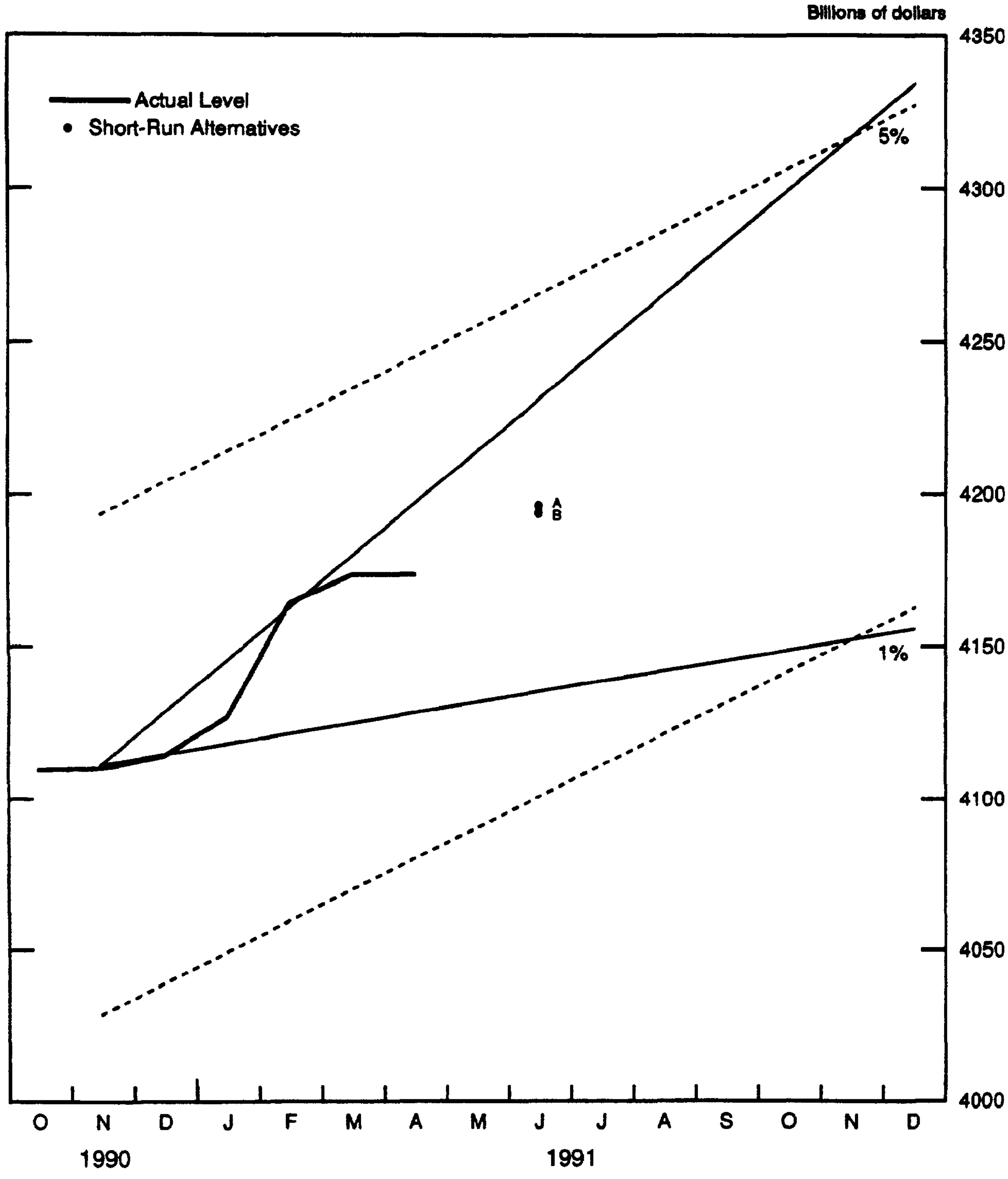


Chart 3

M1

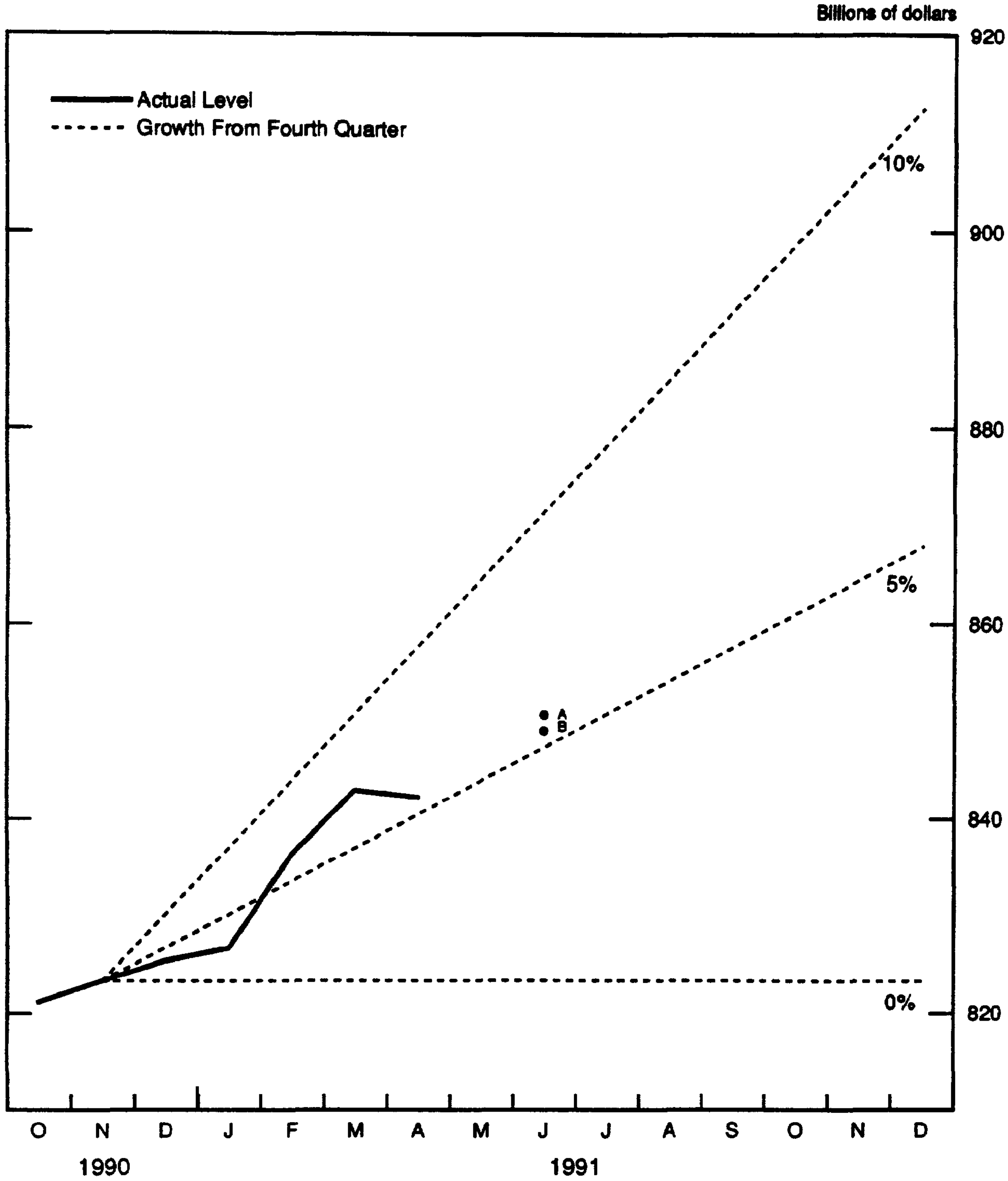
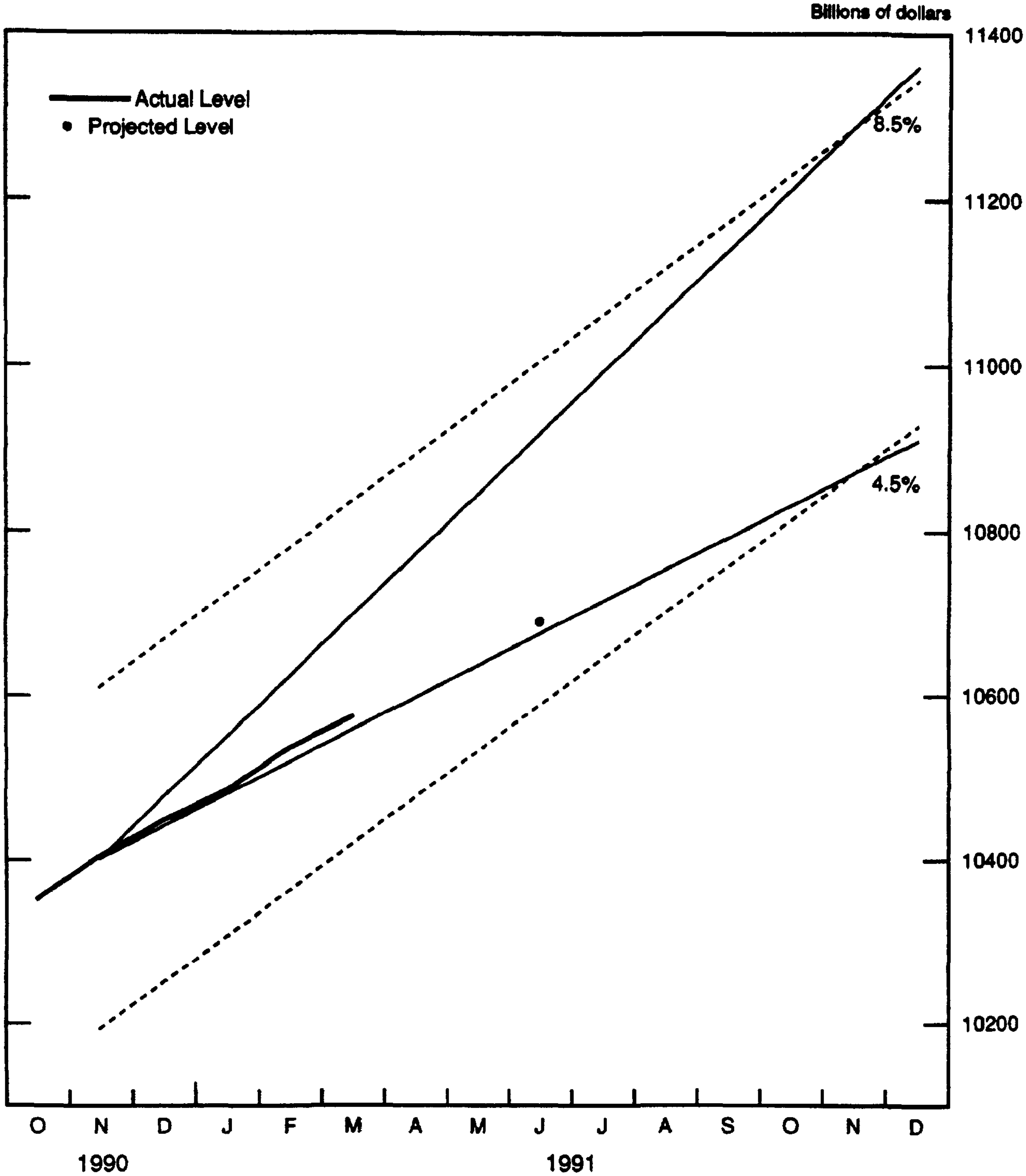

Billions of dollars
Actual Level
Growth From Fourth Quarter
10%
5%
0%
A
B
920
900
880
860
840
820
O N D J F M A M J J A S O N D
1990
1991

Chart 4

DEBT



Billions of dollars
Actual Level
Projected Level
8.5%
4.5%
11400
11200
11000
10800
10600
10400
10200
O
N
D
J
F
M
A
M
J
J
A
S
O
N
D
1990
1991

(10) Under alternative B, M2 is expected to strengthen to a 4-3/4 percent pace in May and June. Much of the acceleration in M2 is likely to be concentrated in its transaction component. M1 should resume growing at nearly a 5 percent pace over the two months, as demand deposits and OCDs recover from their tax-related weakness and are buttressed later in the quarter by the expected strengthening in nominal income. Moreover, currency expansion is expected to reemerge with the waning of reflows from the Persian Gulf region. The nontransaction component of M2 also is likely to accelerate; money funds should rebound a bit, and, with a smaller amount thought to be maturing, the runoff of retail time deposits probably will abate from the unusually rapid pace of April. The 4 percent growth of M2 from March to June under alternative B implies a quarterly average growth rate of 5 percent; this exceeds the staff's projected growth of nominal GNP by 2 percentage points, producing a third straight quarter of M2 velocity decline. Still, the projected M2 growth remains below that forecast by the staff's econometric model, but, at less than a percentage point, the model overprediction would be considerably smaller than in the last three quarters. Some lessening of concerns about the soundness of depositories and the virtual cessation of RTC activity and associated disruptions to deposit flows may be the main factors behind the closer alignment of second-quarter M2 growth with historical patterns.[6]

(11) The growth of M3 under alternative B is seen as picking up to a 3 percent average pace in May and June, lifting its March-to-June

6. Depositor confidence, however, might again erode should proposals to limit deposit insurance progress through Congress, or should bank failures pick up. In the event of losses to uninsured depositors, any effect of these failures on M3 could be amplified.

rate of change to 2 percent. In addition to heavier projected inflows to M2 deposits, rapid issuance of Yankee CDs seems to be resuming. Furthermore, the paydown by domestic banks of large time deposits, which was especially pronounced in April, should abate over May and June. Underlying depository financing needs should increase as a turnaround in lending to businesses and households produces some expansion in bank credit in the last two months of the quarter.[7] Nevertheless, growth in overall private nonfinancial debt is expected to remain quite damped, in line with sluggish spending and reflecting the effects of continuing restraint on credit availability and still-elevated loan rates at depository institutions. In the federal sector, debt growth is expected to surge over the balance of the second quarter, in part to fund enlarged RTC payouts. Even so, total domestic nonfinancial debt is projected to grow at only a 4-1/2 percent rate from March to June, putting expansion from its fourth-quarter base close to the lower bound of the aggregate's monitoring range.

(12) The current structure of interest rates appears to embody market expectations of no further monetary policy move in the near term, so implementation of alternative B is unlikely to engender any immediate reaction in domestic financial or foreign exchange markets. Over the intermeeting period, market participants no doubt will encounter mixed evidence about the outlook, as is typical in a period near a turning

7. The likely gearing up of RTC activity as the quarter comes to a close will shift assets and associated funding needs from thrifts to the federal government and will accelerate the decline of large time deposits at thrifts, but the pickup is coming so late in the quarter that the effects on monthly M3 will not be felt until July.

point. With expectations somewhat fragile, there may be frequent adjustments to financial asset prices in the face of these mixed signals. Markets also may be particularly sensitive to clues about the Federal Reserve's policy strategy around the cycle trough; the unchanged policy stance of alternative B--if maintained through the intermeeting period in the absence of clear evidence of a trough--could be seen as incorporating a more cautious policy approach to assuring an upturn.

(13) Because the immediate 1/2 percentage point drop in the federal funds rate under alternative A would come as a surprise to financial market participants, most of it would be passed through to other short-term market interest rates, and the prime rate likely would be reduced again. Bond yields are likely to decline in response, especially if this action were seen as signalling the Federal Reserve's assessment that the economic situation was worsening or price pressures were substantially reduced. However, with this easing coming on the heels of the recent discount rate reduction, alternative A would be seen as especially aggressive and could arouse concerns about the expected downward trajectory for inflation unless softness in the economy or prices were confirmed by subsequent data. With quality spreads already having narrowed considerably, any further decline in private interest rates relative to Treasury yields is likely to be quite limited. The exchange value of the dollar would tend to adjust downward; this movement would be limited to the extent the upward pressure on foreign currencies, against a backdrop of a general softening in economic performance abroad, occasioned a relaxation of monetary policy in some major trading partners.

(14) The lower market rates of alternative A would further enhance the attractiveness of retail deposits, likely boosting the average growth of M2 in May and June to around a 5-1/2 percent rate, and to 4-1/2 percent from March to June. A lower prime rate, enhanced prospects for a turnaround in output, and stronger prices of real assets would stimulate demands for bank loans. But only a small impetus to bank credit expansion would be given in the near term, partly because business borrowing likely would remain focused on long-term markets, so the effect on M3 through June would not be large. This aggregate's growth over the three months ending in June, projected at a 2-1/4 percent pace, is only 1/4 percentage point faster than under alternative B. For both aggregates, the major effect of lower interest rates under alternative A would occur in the third quarter; with no subsequent change in policy, M2 likely would end up in the upper portion of its range by next fall, and M3 somewhat above the midpoint of its range.

Directive Language

(15) Draft language for the operational paragraph, including the usual options, is shown below.

OPERATIONAL PARAGRAPH

In the implementation of policy for the immediate future, the Committee seeks to DECREASE SOMEWHAT/maintain/ INCREASE SOMEWHAT the existing degree of pressure on reserve positions. Depending upon progress toward price stability, trends in economic activity, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets, somewhat (SLIGHTLY) greater reserve restraint (WOULD/MIGHT) or somewhat (SLIGHTLY) lesser reserve restraint (WOULD) might be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with growth of M2 and M3 over the period from March through June at annual rates of about ___ AND ___ ~~5-1/2 and 3-1/2~~ percent, respectively.

May 10, 1991

SELECTED INTEREST RATES

(percent)

	Short-Term: federal funds	Short-Term: Treasury bills secondary market 3-month	Treasury bills secondary market 6-month	Treasury bills secondary market 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	U.S. government constant maturity yields 10-year	U.S. government constant maturity yields 30-year	corporate A utility recently offered	municipal Bond Buyer	conventional home mortgages secondary market fixed-rate	conventional home mortgages primary market fixed rate	conventional home mortgages primary market ARM
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
90 -- High	8.33	7.96	8.00	7.97	8.58	8.60	8.06	10.50	9.09	9.07	9.13	10.50	7.83	10.99	10.67	8.63
Low	7.16	6.54	6.60	6.51	7.63	7.80	7.16	10.00	7.42	7.94	8.00	9.55	7.28	9.91	9.56	7.86
91 -- High	7.46	6.46	6.49	6.43	7.75	8.49	7.37	9.93	7.43	8.21	8.40	9.96	7.40	9.97	9.75	7.78
Low	5.69	5.48	5.60	5.74	5.90	5.91	5.65	8.50	6.98	7.79	7.97	9.41	7.07	9.52	9.25	7.23
Monthly																
May 90	8.18	7.74	7.76	7.73	8.35	8.24	7.68	10.00	8.69	8.76	8.73	10.04	7.59	10.68	10.48	8.59
Jun 90	8.29	7.73	7.63	7.53	8.23	8.21	7.66	10.00	8.40	8.48	8.46	9.85	7.47	10.37	10.16	8.50
Jul 90	8.15	7.62	7.52	7.40	8.10	8.09	7.64	10.00	8.26	8.47	8.50	9.96	7.40	10.26	10.04	8.43
Aug 90	8.13	7.45	7.38	7.26	7.97	7.99	7.49	10.00	8.22	8.75	8.86	10.29	7.57	10.41	10.10	8.35
Sep 90	8.20	7.36	7.32	7.24	8.06	8.09	7.47	10.00	8.27	8.89	9.03	10.28	7.72	10.45	10.18	8.28
Oct 90	8.11	7.17	7.16	7.06	8.06	8.04	7.45	10.00	8.07	8.72	8.86	10.23	7.74	10.47	10.18	8.21
Nov 90	7.81	7.06	7.03	6.85	8.03	7.84	7.34	10.00	7.74	8.39	8.54	10.07	7.45	10.25	10.01	8.10
Dec 90	7.31	6.74	6.70	6.61	7.82	8.28	7.20	10.00	7.47	8.07	8.24	9.95	7.34	9.95	9.67	7.93
Jan 91	6.91	6.22	6.28	6.25	7.17	7.12	6.92	9.52	7.38	8.09	8.27	9.83	7.32	9.89	9.64	7.74
Feb 91	6.25	5.94	5.93	5.91	6.52	6.53	6.10	9.05	7.08	7.85	8.03	9.54	7.17	9.63	9.37	7.65
Mar 91	6.12	5.90	5.92	6.00	6.45	6.48	6.12	9.00	7.35	8.11	8.29	9.58	7.32	9.81	9.50	7.47
Apr 91	5.91	5.65	5.71	5.85	6.06	6.08	5.89	9.00	7.23	8.04	8.21	9.46	7.24	9.75	9.49	7.38
Weekly																
Feb 6 91	6.32	6.01	5.99	5.93	6.55	6.61	6.65	9.29	7.09	7.89	8.08	9.53	7.08	9.60	9.36	7.68
Feb 13 91	6.29	5.89	5.88	5.85	6.43	6.45	6.25	9.00	6.98	7.79	7.97	9.46	7.07	9.52	9.25	7.59
Feb 20 91	6.26	5.92	5.90	5.89	6.47	6.48	6.35	9.00	7.04	7.81	7.99	9.53	7.23	9.68	9.29	7.57
Feb 27 91	6.31	5.99	5.98	5.97	6.64	6.60	6.29	9.00	7.21	7.93	8.09	9.64	7.31	9.85	9.40	7.53
Mar 6 91	6.47	6.06	6.06	6.09	6.73	6.78	6.19	9.00	7.36	8.09	8.26	9.62	7.30	9.81	9.49	7.51
Mar 13 91	6.17	5.92	5.94	6.00	6.51	6.55	6.15	9.00	7.31	8.07	8.24	9.54	7.29	9.71	9.50	7.45
Mar 20 91	6.10	5.83	5.86	5.98	6.32	6.33	6.05	9.00	7.35	8.14	8.33	9.60	7.33	9.84	9.59	7.44
Mar 27 91	6.10	5.86	5.86	5.97	6.33	6.36	6.03	9.00	7.39	8.13	8.31	9.49	7.35	9.83	9.52	7.41
Apr 3 91	6.00	5.76	5.78	5.88	6.23	6.31	6.03	9.00	7.28	8.05	8.24	9.41	7.29	9.67	9.49	7.39
Apr 10 91	5.90	5.66	5.72	5.86	6.07	6.10	5.94	9.00	7.23	8.02	8.20	9.41	7.27	9.74	9.48	7.39
Apr 17 91	5.69	5.57	5.66	5.83	5.95	5.96	5.82	9.00	7.19	7.99	8.16	9.49	7.19	9.79	9.47	7.37
Apr 24 91	5.92	5.69	5.74	5.90	6.09	6.08	5.79	9.00	7.27	8.09	8.24	9.50	7.22	9.79	9.53	7.36
May 1 91	5.92	5.57	5.65	5.77	5.98	6.00	5.73	8.93	7.19	8.05	8.21	9.42	7.14	9.73	9.47	7.23
May 8 91	5.79	5.48	5.60	5.74	5.90	5.91	5.65	8.50	7.13	8.03	8.21	..	7.09	..	..	..
Daily																
May 3 91	5.76	5.47	5.57	5.74	5.92	5.90	..	8.50	7.16	8.04	8.22	..	..	..	..	..
May 9 91	5.76	5.48	5.63	5.76	5.92	5.92	..	8.50	7.12	8.02	8.21	..	..	..	..	..
May 10 91	..	..	..	..	5.89	5.91	..	8.50	..	..	..	..	..	..	..	..

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, 13 and 14 are 1-day quotes for Friday, Thursday or Friday, 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. Column 15 is the average contract rate on new commitments for fixed rate mortgages(FRMs) with 80 percent loan-to-value ratios at major institutional lenders. Column 16 is the average initial contract rate on new commitments for 1-year, adjustable-rate mortgages(ARMs) at major institutional lenders offering both FRMs and ARMs with the same number of discount points.

p preliminary data

Strictly Confidential (FR)-
Class II FOMC

Money and Credit Aggregate Measures

Seasonally adjusted

MAY. 13, 1991

Period	Money stock measures and liquid assets						Bank credit	Domestic nonfinancial debt[1]		
	M1	M2	nontransactions components in M2	nontransactions components in M3 only	M3	L	total loans and investments	U.S. government[1]	other[1]	total[1]
	1	2	3	4	5	6	7	8	9	10
ANN. GROWTH RATES (%) :										
ANNUALLY (Q4 TO Q4)										
1988	4.2	5.2	5.5	10.7	6.3	7.2	7.7	8.0	9.5	9.2
1989	0.6	4.7	6.1	-0.6	3.6	4.8	7.5	7.5	7.8	7.7
1990	4.2	3.8	3.7	-6.4	1.7	1.8	5.4	11.0	5.5	6.8
QUARTERLY AVERAGE										
1990-2nd QTR.	4.2	3.9	3.8	-9.1	1.3	0.9	6.4	9.7	6.2	7.0
1990-3rd QTR.	3.7	3.0	2.7	-3.8	1.6	2.0	6.2	14.4	4.9	7.1
1990-4th QTR.	3.4	2.1	1.7	-3.5	1.0	1.5	2.9	11.4	4.2	6.0
1991-1st QTR.	5.8	3.6	2.8	7.1	4.3		2.7	12.2	2.7	5.0
MONTHLY										
1990-APR.	4.5	3.8	3.5	-7.1	1.6	1.4	6.9	7.5	6.7	6.9
MAY	-0.3	1.1	1.5	-4.3	0.0	-4.2	3.2	7.5	4.5	5.2
JUNE	5.9	2.9	1.8	-7.1	0.9	4.8	6.6	14.9	4.1	6.6
JULY	-1.2	1.8	2.7	-2.1	1.0	1.0	5.9	13.9	5.1	7.2
AUG.	8.6	5.1	4.0	0.2	4.1	2.1	9.8	18.9	5.2	8.4
SEP.	7.8	4.4	3.2	-9.7	1.7	5.4	1.4	11.0	5.5	6.8
OCT.	-0.9	1.1	1.7	-3.8	0.1	-0.4	2.6	5.6	4.4	4.7
NOV.	3.1	0.1	-0.9	0.5	0.1	0.5	1.3	15.5	3.2	6.2
DEC.	3.1	1.9	1.5	-1.8	1.2	0.5	3.1	13.1	2.3	4.9
1991-JAN.	1.9	1.1	0.9	14.7	3.7	4.9	-1.0	10.9	2.0	4.2
FEB.	14.1	8.7	6.9	20.1	10.8	9.1	6.3	14.4	3.2	5.9
MAR.	9.3	7.5	6.9	-17.4	2.7		6.8	5.6	3.8	4.2
APR. pe	-1	3	4	-11	0		0			
LEVELS ($BILLIONS) :										
MONTHLY										
1990-NOV.	823.3	3324.7	2501.4	785.3	4110.0	4958.0	2716.6	2505.4	7900.5	10405.9
DEC.	825.4	3330.0	2504.6	784.1	4114.1	4960.0	2723.6	2532.8	7915.7	10448.5
1991-JAN.	826.7	3333.1	2506.4	793.7	4126.9	4980.3	2721.2	2555.9	7929.2	10485.1
FEB.	836.4	3357.2	2520.9	807.0	4164.2	5018.2	2735.1	2586.6	7950.4	10537.0
MAR.	842.9	3378.3	2535.4	795.3	4173.6		2750.9	2598.6	7975.7	10574.2
WEEKLY										
1991-MAR. 4	837.7	3366.7	2528.9	804.6	4171.2					
11	839.6	3372.6	2533.0	803.8	4176.4					
18	839.9	3378.9	2539.0	799.7	4178.6					
25	844.2	3385.5	2541.3	788.1	4173.6					
APR. 1	851.8	3382.7	2530.9	782.2	4164.9					
8	841.9	3388.2	2546.3	783.8	4172.0					
15	844.2	3390.9	2546.7	795.9	4186.8					
22 p	841.3	3386.6	2545.3	790.9	4177.5					
29 p	840.3	3377.9	2537.6	783.1	4161.0					

1. 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

Strictly Confidential (FR)-
Class II FOMC

Components of Money Stock and Related Measures

seasonally adjusted unless otherwise noted

MAY. 13, 1991

Period	Currency	Demand deposits	Other checkable deposits	Overnight RPs and Eurodollars NSA[1]	MMDAs	Savings deposits	Small denomination time deposits[2]	Money market mutual funds: general purpose and broker/dealer[3]	Money market mutual funds: institutions only	Large denomination time deposits[4]	Term RPs NSA[1]	Term Eurodollars NSA[1]	Savings bonds	Short-term Treasury securities	Commercial paper[1]	Bankers acceptances
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
LEVELS ($BILLIONS):																
ANNUALLY (4TH QTR.)																
1988	210.8	287.3	280.1	83.4	505.8	424.5	1022.4	237.5	86.7	538.8	123.2	102.8	108.8	266.8	326.6	40.5
1989	220.9	278.9	282.9	76.1	482.0	402.9	1142.4	308.9	101.4	565.0	106.6	80.2	116.8	321.5	350.4	40.4
1990	245.1	277.1	292.8	78.5	506.5	411.1	1162.5	344.2	121.9	511.6	93.8	70.5	125.2	328.7	359.1	33.8
MONTHLY																
1990-MAR.	228.4	278.9	289.8	81.9	495.7	410.2	1149.9	325.9	105.2	549.3	98.4	66.7	119.2	336.9	344.1	37.2
APR.	230.3	278.1	291.7	79.4	499.3	411,5	1152.2	327.0	106.9	543.7	98.2	65.3	119.9	329.9	351.9	36.0
MAY	231.9	275.8	292.0	83.2	500.5	411.3	1153.5	325.3	107.6	540.5	99.3	67.1	120.7	315.4	349.1	35.4
JUNE	233.7	276.3	293.7	82.3	502.3	411.8	1154.6	327.5	108.1	538.0	102.2	64.4	121.4	331.7	349.1	34.7
JULY	235.7	275.6	291.7	84.0	503.4	412.7	1156.8	329.2	109.8	535.0	100.5	65.1	122.2	334.3	348.2	33.0
AUG.	238.4	278.0	292.1	82.7	505.9	412.7	1158.3	335.8	114.0	529.2	102.0	68.3	123.0	329.8	347.0	32.3
SEP.	241.5	279.1	293.0	81.5	507.4	412.3	1160.1	339.3	116.2	521.9	98.3	70.0	123.8	333.8	359.0	31.8
OCT.	243.9	277.1	291.8	83.6	506.7	411.5	1161.4	341.8	119.6	515.1	95.6	70.2	124.5	330.4	358.8	32.6
NOV.	245.0	277.2	292.8	77.7	506.8	411.1	1161.8	343.0	120.5	512.5	95.7	70.0	125.2	329.8	359.0	34.0
DEC.	246.4	276.9	293.7	74.1	505.9	410.8	1164.2	347.7	125.7	507.1	90.2	71.4	126.0	325.8	359.4	34.7
1991-JAN.	251.6	272.9	293.9	71.7	505.1	412.0	1163.2	356.3	130.1	511.7	88.5	72.0	126.7	327.4	363.4	36.0
FEB.	255.1	276.2	296.8	71.1	511.4	415.5	1162.3	360.5	139.3	515.8	87.6	73.0	127.8	334.9	356.2	35.2
MAR.	256.7	277.2	300.9	70.6	518.9	420.8	1157.8	365.9	142.0	511.0	84.4	72.0				

1. Net of money market mutual fund holdings of these items.
2. Includes retail repurchase agreements. All IRA and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.
3. Excludes IRA and Keogh accounts.
4. Net of large denomination time deposits held by money market mutual funds and thrift institutions.
p-preliminary

May 10, 1991

NET CHANGES IN SYSTEM HOLDINGS OF SECURITIES[1]

Millions of dollars, not seasonally adjusted

Period	Treasury bills: Net purchases[2]	Treasury bills: Redemptions (-)	Treasury bills: Net change	Treasury coupons: Net purchases[3,4] within 1 year	Net purchases 1-5	Net purchases 5-10	Net purchases over 10	Treasury coupons: Redemptions (-)	Treasury coupons: Net Change	Federal agencies redemptions (-)	Net change outright holdings total[5]	Net RPs[6]
1988	7,635	2,200	5,435	2,176	4,685	1,404	1,398	---	9,665	587	14,513	1,557
1989	1,468	12,730	-11,263	327	946	258	284	500	1,315	442	-10,390	-1,683
1990	17,448	4,400	13,048	425	50	-100	---	---	375	183	13,240	9,157
1990 --Q1	-3,799	1,400	-5,199	100	100	---	---	---	200	---	-5,000	-4,061
--Q2	10,892	---	10,892	---	150	---	---	---	150	78	10,964	509
--Q3	5,115	---	5,115	---	---	---	---	---	---	70	5,045	95
--Q4	5,241	3,000	2,241	325	-200	-100	---	---	25	35	2,230	12,614
1991 --Q1	2,160	1,000	1,160	800	2,950	400	---	---	4,150	---	5,310	-21,810
1990 May	3,365	---	3,365	---	---	---	---	---	---	---	3,365	-378
June	1,732	---	1,732	---	50	---	---	---	50	---	1,782	2,146
July	287	---	287	---	---	---	---	---	---	33	254	2,863
August	4,197	---	4,197	---	---	---	---	---	---	37	4,160	1,110
September	631	---	631	---	---	---	---	---	---	---	631	-3,878
October	933	---	933	---	---	---	---	---	---	34	899	-1,224
November	6,658	---	6,658	325	---	---	---	---	325	---	6,983	509
December	-2,350	3,000	-5,350	---	-200	-100	---	---	-300	1	-5,651	13,329
1991 January	-120	1,000	-1,120	---	---	---	---	---	---	---	-1,120	-5,890
February	1,967	---	1,967	100	---	350	---	---	450	---	2,417	-1,127
March	313	---	313	700	2,950	50	---	---	3,700	---	4,013	-14,793
April	908	---	908	700	550	---	---	---	1,250	91	2,067	1,370
Weekly												
February 6	---	---	---		---			---	---	---	---	-5,359
February 13	225	---	225		---			---	---	---	225	5,332
February 20	381	---	381		---			---	---	---	381	3,466
February 27	1,193	---	1,193		450			---	450	---	1,643	-2,757
March 6	289	---	289		550			---	550	---	839	2,460
March 13	161	---	161		900			---	900	---	1,061	-7,177
March 20	31	---	31		900			---	900	---	931	9,762
March 27	---	---	---		1,200			---	1,200	---	1,200	-8,227
April 3	435	---	435		600			---	600	---	1,035	3,585
April 10	473	---	473		800			---	800	---	1,273	-6,778
April 17	---	---	---		---			---	---	---	---	5,569
April 24	---	---	---		---			---	---	91	-91	-5,997
May 1	---	---	---		---			---	---	---	---	5,180
May 8	---	---	---		---			---	---	---	---	-3,263
Memo: LEVEL (bil. $)[7]												
May 8			121.8	25.9	61.4	13.8	24.7		125.8		256.0	-11.4

1. Change from end-of-period to end-of-period.
2. Outright transactions in market and with foreign accounts.
3. Outright transactions in market and with foreign accounts, and short-term notes acquired in exchange for maturing bills. Excludes maturity shifts and rollovers of maturing issues.
4. Weekly net purchases of Treasury coupons are summed over all maturities.
5. Reflects net change in redemptions (-) of Treasury and agency securities.
6. Includes change in RPs (+), matched sale-purchase transactions (-), and matched purchase sale transactions (+).
7. The levels of agency issues were as follows:

	within 1 year	1-5	5-10	over 10	total
May 8	2.6	2.4	1.0	0.2	6.2