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November 1, 1991

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MONETARY POLICY ALTERNATIVES

Prepared for the Federal Open Market Committee

By the staff Board of Governors of the Federal Reserve System

November 1, 1991

MONETARY POLICY ALTERNATIVES

Recent Developments

(1) Over most of the interval since the October FOMC meeting, the Desk sought to maintain existing reserve market pressures. The allowance for adjustment plus seasonal borrowing initially was kept at \$325 million but over the first two complete maintenance periods it was reduced in three technical adjustments of \$25 million each to allow for the declining trend of seasonal borrowing.¹ The federal funds rate averaged near the 5-1/4 percent level expected by the FOMC through the first maintenance period and most of the second, before drifting off late in that period, reflecting market anticipation of an imminent policy easing that was reinforced when a need to drain reserves was deliberately not met on settlement day in the context of an ongoing Committee consultation. In response to signs of flagging consumer and business confidence and a weaker-than-expected economic recovery, reviewed at that consultation, the borrowing allowance was reduced by \$25 million on Thursday, the first day of the current period. Consistent with this change, the expected trading area for federal funds was lowered to 5 percent, where the federal funds rate settled late in the week. Also on Thursday, another technical reduction of \$50 million was made in the borrowing allowance, bringing the current allowance to \$175 million.

(2) Over the first three weeks of the intermeeting period, short-term market interest rates declined somewhat, as market participants interpreted incoming data as generally pointing to continued

1. In the first complete maintenance period, borrowing averaged \$283 million, close to the allowance of \$275 million, while in the second period, borrowing averaged \$211 million, compared with a \$250 million allowance.

economic sluggishness. Long-term market rates, by contrast, backed up considerably over these weeks as data on consumer prices proved disappointing, oil prices firmed, and discussions of possible fiscal stimulus measures prompted renewed concerns about federal deficits and borrowing. Subsequently, both short- and long-term rates moved down appreciably in reaction to information suggesting additional economic weakness, more favorable labor cost and GNP price data, and the renewed anticipation of further monetary policy easing. Since the last FOMC meeting, short rates are down 35 to 45 basis points. The prime rate, however, remained at 8 percent. Rates on Treasury notes also declined, but at the longest maturity, bond rates were up on balance by around 10 basis points. Primary-market yields on mortgages fell to their lowest levels since 1977, spurring mortgage refinancings. Although some stock price indexes touched record highs during the intermeeting period, most indexes were up only a little on net.

(3) The dollar's foreign exchange value on a weighted average basis is down about 1 percent on balance since the last Committee meeting. The dollar was generally higher over the first half of the intermeeting period but was weakened significantly by the stream of negative reports on the U.S. economy and by the anticipated U.S. policy easing. The yen was especially strong, bolstered by increasing market focus on Japan's burgeoning external surpluses and possible implications for Japanese policy. Three-month interest rates in Japan declined about as much as U.S. rates, while German short-term rates rose by 15 basis points. Long-term rates in both Germany and Japan were little changed over the period.

the Desk did not intervene.

(4) M2 and M3 resumed modest expansion in October, at rates of 3 and 1 percent, respectively, which were close to their 3 and

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at a time of declining money-market yields. In addition, bank liabilities within M3 expanded more rapidly to fund faster growth of bank credit.

(6) Most of the step-up in bank credit in October reflected a pickup in securities acquisitions, although the contraction in total loans also slowed. C&I loans expanded for the second consecutive month, but at a much reduced rate. A recent survey of bank loan officers provided little evidence of a further tightening of business loan standards and instead suggested that such loans continued to be held down by weak demand. Firms with access to capital markets maintained their reliance on proceeds of bond and equity issuance, reflecting the reduced financing costs on such instruments as well as firms' efforts to strengthen balance sheets. Offerings of tax-exempt bonds also continued at a rapid clip in October, in part as a number of governmental units resorted to extraordinary measures to finance budgetary shortfalls. The very limited available data pertaining to household-sector borrowing in October suggest little buoyancy. Consumer loans at banks, adjusted for securitization, contracted for the second month in a row, even though no surveyed loan officers reported less willingness to extend consumer loans and some reported more. The pickup in mortgage refinancing activity has not translated into much of a boost to mortgage borrowing, as homeowners appear to be motivated more by lowering interest costs than by extracting equity. Underlying the continued light borrowing by nonfederal sectors has been the slow pace of income growth as well as the tendency of households and businesses to deleverage balance sheets. Federal borrowing in October stayed heavy, however, despite a marked slowdown in deposit insurance outlays. Total domestic nonfinancial sector debt in October likely edged further above the 4-1/2 percent lower limit of its monitoring range.

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

	Aug.	Sept.	Oct.	QIV' 90 pe to pe Oct.
<u>Money and credit aggregates</u>				
M1	9.4	5.5	12.4	7.4
M2	0.2	0.0	3.0	2.5
M3	-0.8	-2.2	1.1	0.9
Domestic nonfinancial debt	6.5	7.0	--	4.7 ¹
Bank credit	-0.7	3.2	6.1	2.6
<u>Reserve measures</u>				
Nonborrowed reserves ²	14.2	9.5	18.4	8.1
Total reserves	11.7	6.6	16.1	8.0
Monetary base	9.2	6.5	9.9	8.4
Memo: (Millions of dollars)				
Adjustment plus seasonal borrowing	464	344	251	--
Excess reserves	1086	929	1093	--

pe--preliminary estimate.

1. QIV' 90 to September.

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.

Policy Alternatives

(7) Two alternatives are presented below for consideration by the Committee. Under alternative B, federal funds would continue to trade around 5 percent in combination with adjustment plus seasonal borrowing of \$175 million.³ Under alternative A, the federal funds rate would move down to 4-1/2 percent, achieved either through a 1/2 percentage point cut in the discount rate with the same level of borrowing as under alternative B or through open market operations that lowered the borrowing level to \$125 million. In the latter case, the decline in the funds rate to 1/2 percentage point below the discount rate would cause borrowing to fall to frictional levels. A bit more volatility in the federal funds rate would be implied as the discount window becomes a little less effective buffer to disturbances in the reserves market.

(8) Monetary growth rates under the two alternatives are presented in the table below. (More detailed information is shown in the table and charts on the following pages.) Under both alternatives M2 would finish the year at or a shade above, and M3 a touch below, the lower bounds of their ranges. As discussed in previous bluebooks, growth in the broader aggregates this year is being unusually depressed by the downsizing of the thrift industry, weak lending by commercial banks, portfolio shifts by the public into capital market instruments, and the process of deleveraging by households and businesses. Slow expansion this year in M2 and M3, combined with the staff's forecast of 3-1/2 percent annual growth for nominal GNP,

3. Reflecting a further unwinding of seasonal borrowing demands over the remainder of the autumn, additional technical reductions to the borrowing allowance may be needed over the intermeeting period.

implies increases in their velocities this year, despite the large declines in short-term market interest rates and related opportunity costs. M1 evidently has responded to the reduction in its opportunity costs much more in line with historical patterns, although some of the strength in M1 this year has come from a continuation of unusually heavy demands for currency aboard. Narrow money is expected to grow by at least 7-1/2 percent this year, well in excess of nominal income.

	<u>Alt. A</u>	<u>Alt. B</u>
Growth from September to December		
M2	3-1/2	3
M3	1-1/4	1
M1	10	9
Implied growth from 1990:Q4 to December		
M2	2-3/4	2-1/2
M3	1	1
M1	7-3/4	7-1/2

(9) The markets appear to have built in a high probability of a further easing move in the period just ahead, and thus with the unchanged funds rate of alternative B, other market interest rates may tend to firm. The reversal in yields would be modest should incoming data on the real economy point more decisively to faltering near-term expansion, as in the staff forecast, engendering the expectation that the next easing has only been postponed. Any rise in long-term yields also would be mitigated to the extent that indications of a softening in the economic outlook were seen as improving prospects for disinflation. However, quality spreads on bank and corporate debt would widen marginally if the market's economic outlook turns more downbeat. If rates do firm a little, the dollar could rise a bit on foreign exchange markets.

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 July	3391.8	3391.8	4149.4	4149.4	859.6	859.6
August	3392.6	3392.6	4146.8	4146.8	866.3	866.3
September	3392.5	3392.5	4139.3	4139.3	870.3	870.3
October	3401.0	3401.0	4143.1	4143.1	879.3	879.3
November	3410.9	3409.5	4147.2	4146.5	885.2	884.4
December	3422.3	3418.0	4151.4	4150.0	892.1	889.9
Monthly Growth Rates						
1991 July	-3.6	-3.6	-5.0	-5.0	1.7	1.7
August	0.3	0.3	-0.8	-0.8	9.4	9.4
September	-0.1	-0.1	-2.2	-2.2	5.5	5.5
October	3.0	3.0	1.1	1.1	12.4	12.4
November	3.5	3.0	1.2	1.0	8.0	7.0
December	4.0	3.0	1.2	1.0	9.5	7.5
Quarterly Ave. Growth Rates						
1990 Q4	2.0	2.0	0.9	0.9	3.4	3.4
1991 Q1	3.4	3.4	4.0	4.0	5.9	5.9
Q2	4.8	4.8	1.9	1.9	7.3	7.3
Q3	-0.3	-0.3	-2.4	-2.4	6.9	6.9
Q4	2.3	2.0	0.2	0.1	9.3	8.9
Jun 91 to Sept 91	-1.1	-1.1	-2.6	-2.6	5.5	5.5
Sept 91 to Dec 91	3.5	3.0	1.2	1.0	10.0	9.0
Q4 90 to Q2 91	4.1	4.1	3.0	3.0	6.7	6.7
Q4 90 to Q3 91	2.7	2.7	1.1	1.1	6.8	6.8
Q4 90 to Q4 91	2.6	2.5	0.9	0.9	7.6	7.4
Q4 90 to Oct 91	2.5	2.5	0.9	0.9	7.4	7.4
Q4 90 to Dec 91	2.7	2.6	0.9	0.9	7.7	7.5

100

1991 Target Ranges:

2.5 to 6.5

1.0 to 5.0

Chart 1

ACTUAL AND TARGETED M2

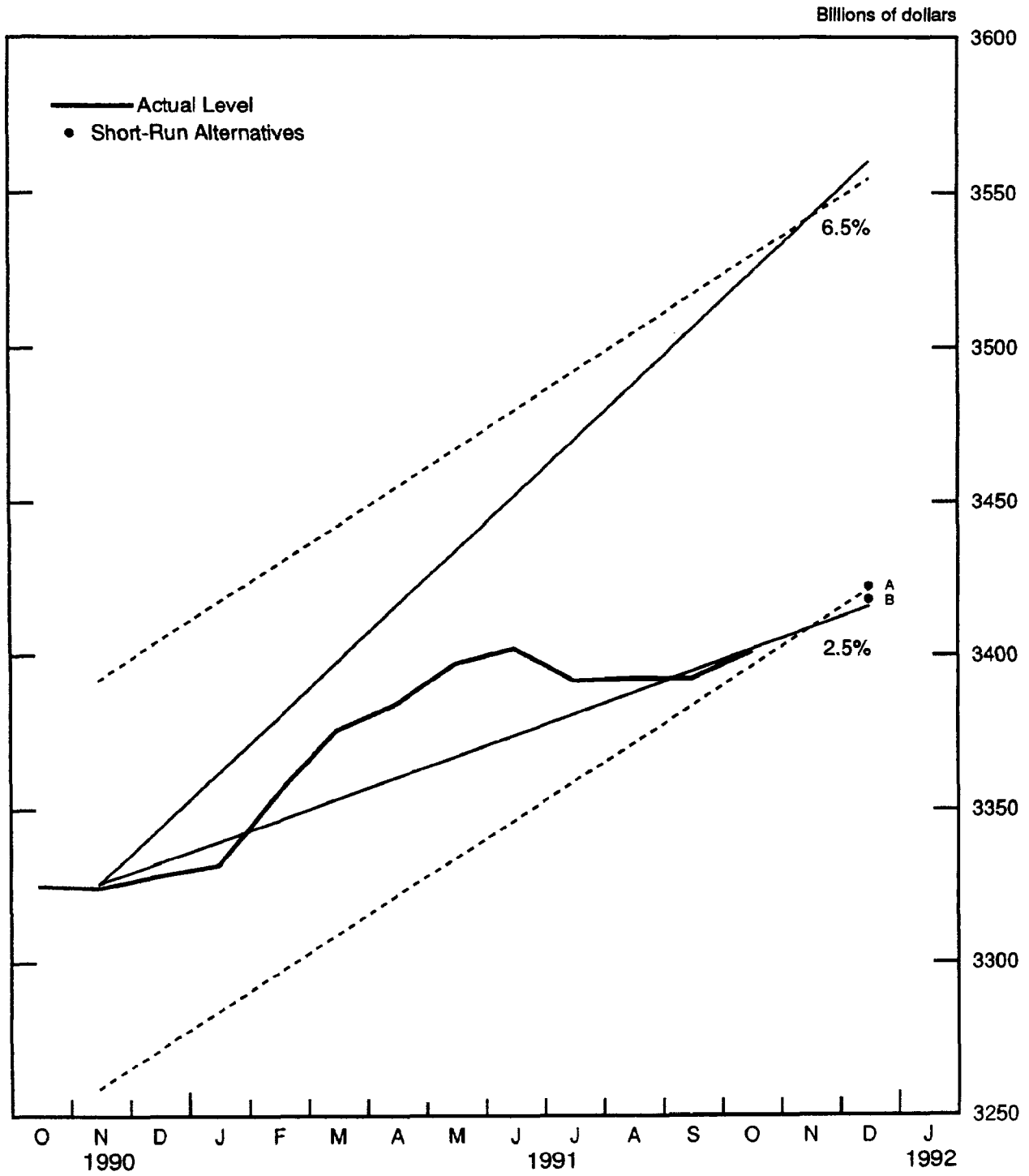


Chart 2

ACTUAL AND TARGETED M3

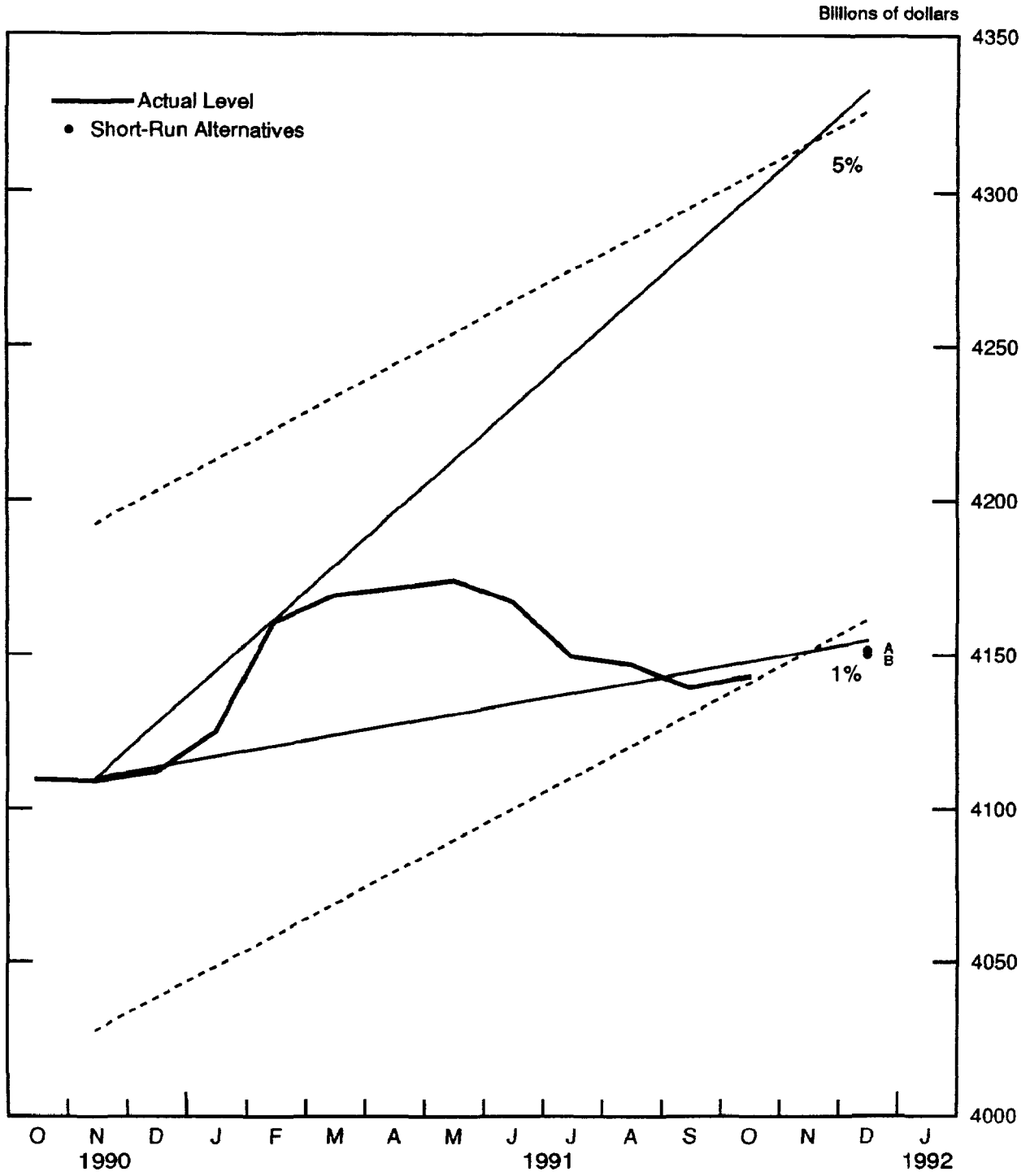


Chart 3

M1

Billions of dollars

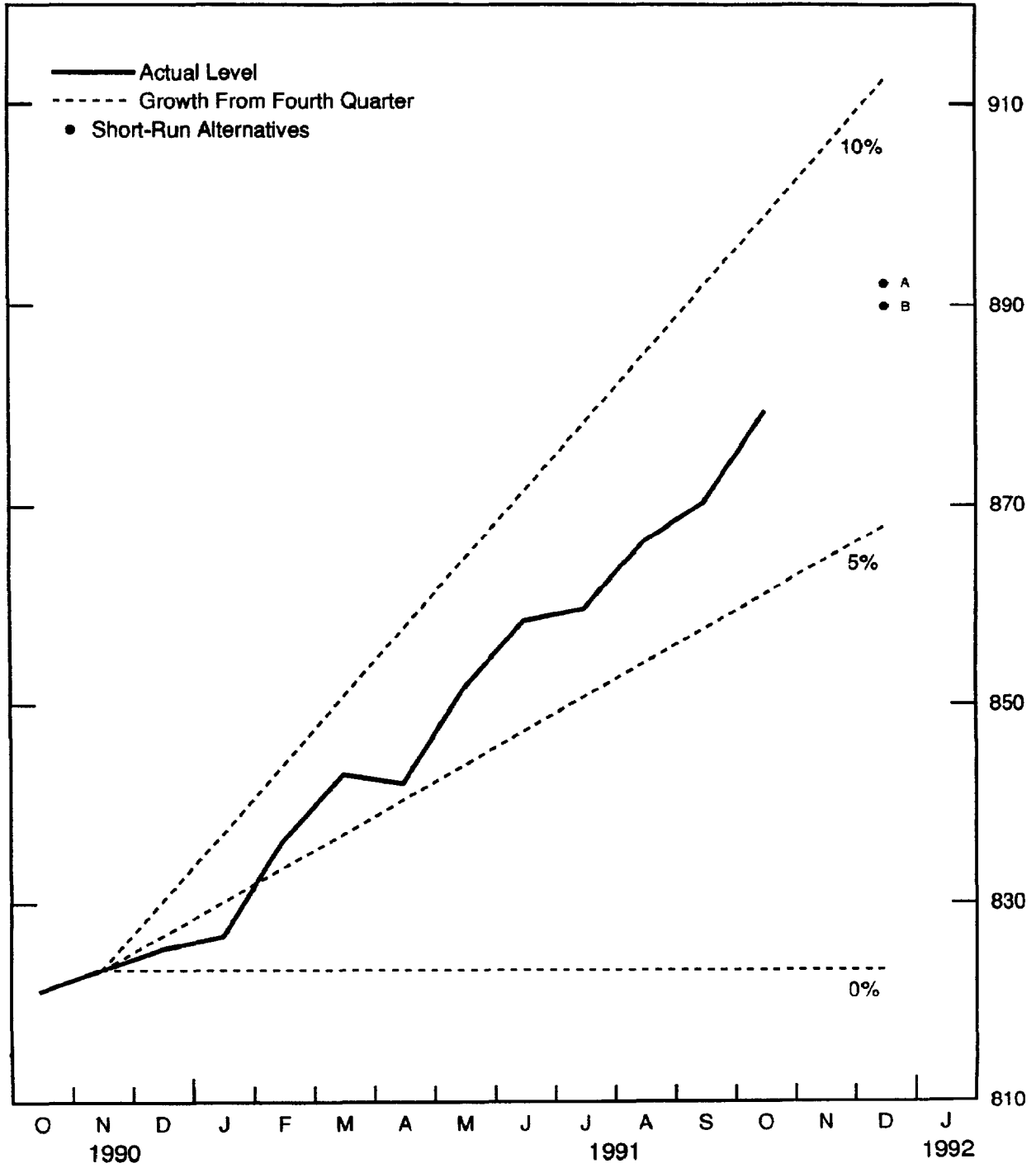
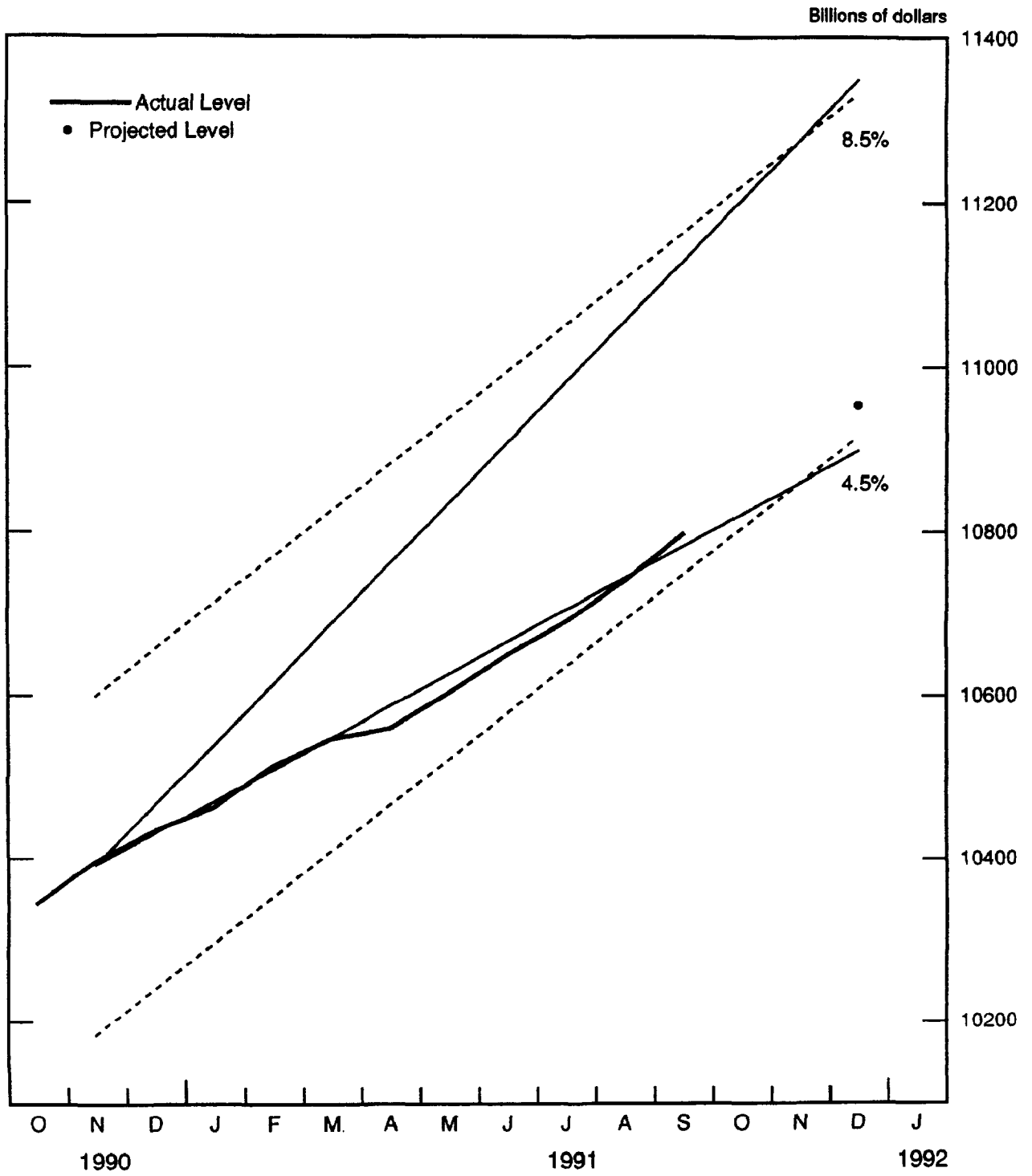


Chart 4
DEBT



(10) M2 would be expected to continue to expand at a 3 percent rate in the November and December period under alternative B, the same as expected at the October FOMC meeting. The negative impact on M2 of the weaker picture for income and spending growth is likely to be about offset by the effects on opportunity costs of the most recent policy easing and by what promises to be a larger than previously expected slowdown in RTC resolution activity in the fourth quarter. In October, resolutions fell to a much reduced level that now seems likely to persist through year-end owing to legislative delays, which largely removes one restraining influence on retail deposits. Growth of demand deposits, however, is expected to fall back from October's atypical surge and show through to a slowing in M1 growth to a 7-1/4 percent pace over November and December.⁴ In the fourth quarter of this year, M2 expansion at a 2 percent rate on a quarterly average basis would imply a rise in its velocity of 1-1/2 percent at an annual rate, down markedly from the 4-1/2 percent pace of the third quarter. Under this policy alternative, M2 would be on a trajectory to enter 1992 only a bit above the lower end of its tentative 1992 growth range of 2-1/2 to 6-1/2 percent.

(11) M3 under alternative B is seen as continuing to grow at a 1 percent annual rate over November and December, which would mean this aggregate would be entering next year around the bottom of its tentative 1992 range of 1 to 5 percent. Despite the reduced projection for RTC activity, growth of M3 over the rest of the year is likely to be a little slower than expected at the last FOMC meeting. The weaker outlook for M3 stems from our anticipation that the

4. Total reserves, currency, and the monetary base all are expected to grow at rates of 8 to 9 percent over the last two months of the year.

substitution of non-M3 liabilities for Yankee CDs at branches and agencies of foreign banks surfacing in October probably will persist to some degree. Projected weakness in bank credit continues to damp the outlook for M3. Growth of C&I loans will be anemic owing to continued restraint by banks and, more important, to weak demand. Business outlays for fixed capital and inventories are likely to be soft, and offerings in bond and equity markets should remain robust, as those firms that can access these markets seek to strengthen balance sheets. Lending for commercial properties will remain depressed by sustained difficulties in this sector. Household mortgage growth will be restrained by the modest recovery in housing activity envisioned in the staff forecast. Consumer credit should contract further over the remainder of the year, largely reflecting subdued spending on durables. In the aggregate, borrowing of domestic nonfederal sectors is expected to remain sluggish through year-end. In contrast, federal borrowing will stay brisk to finance a burgeoning deficit. Overall debt of domestic nonfinancial sectors is expected to register a 5 percent rate of expansion over the September-to-December period, placing growth for the year about 1/2 percentage point above the bottom of the FOMC's 4-1/2 to 8-1/2 percent monitoring range for this aggregate.

(12) The easing contemplated in alternative A exceeds that now envisioned by the markets and thus money market interest rates would decline, perhaps by at least 1/4 percentage point. Long-term rates, too, would come under some downward pressure, although declines would be muted if earlier market concerns about the stickiness of inflation reemerge at some point. The prime rate probably would be lowered 1/2 percentage point, still preserving the recently widened spread over funding costs. The dollar likely would fall somewhat on foreign exchange markets.

(13) M2 is projected to strengthen to a 4 percent rate by December under alternative A and would be entering the new year well into its tentative range. Enlarged inflows to liquid deposits would boost both its nontransactions and M1 components, as sluggish deposit rates contribute to the attractiveness of such accounts. Tending to limit the pickup in M2, though, would be declines in rates on retail CDs and money funds in relation to expected returns on capital market instruments; also, cost pressures might induce more banks to overcome their hesitancy to lower rates on passbook and NOW accounts, which could prompt established customers to reconsider investment options and move account balances to market instruments.

(14) Under alternative A, M3 would expand at a 1-1/4 percent rate in November and December, on a trajectory to begin the new year within its tentative range. Buoying M3 would be heightened inflows to institution-only money market funds, whose holders would respond to the temporary improvement in their yields relative to those of money market instruments. In addition, banks' needs for M3 liabilities would be raised by a little additional lending. Improvement in some lending margins and firmer asset values would enhance access of many banks to capital and funding markets and encourage lending to some previously marginal credits. Nevertheless, the major credit-market beneficiaries of the easing would continue to be those more highly rated credits having ready access to the commercial paper and capital markets.

Directive Language:

(15) Draft language for the operational paragraph, including the usual options, is presented 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, slightly (SOMEWHAT) greater reserve restraint might (WOULD) or slightly (SOMEWHAT) lesser reserve restraint (MIGHT) would 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 September through December at annual rates of about __ AND __ 3 and 1-1/2 percent, respectively.

SELECTED INTEREST RATES
(percent)

	Short-Term								Long-Term							
	federal funds	Treasury bills secondary market			CDs secondary market	comm. paper	money market mutual fund	bank prime loan	U.S. government constant maturity yields			corporate A-utility recently offered	municipal Bond Buyer	conventional home mortgages		
		3-month	6-month	1-year	3-month	1-month			3-year	10-year	30-year			secondary market	primary market	
		1	2	3	4	5	6	7	8	9	10	11	12	13	fixed-rate	fixed-rate
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
90 -- 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	7.47	8.35	8.52	9.96	7.40	9.97	9.75	7.78
91 -- Low	5.10	4.92	4.97	4.97	5.30	5.26	4.97	8.00	6.21	7.44	7.83	8.93	6.86	8.86	8.78	6.58
Monthly																
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
May 91	5.78	5.46	5.61	5.76	5.91	5.91	5.60	8.50	7.12	8.07	8.27	9.45	7.13	9.73	9.47	7.22
Jun 91	5.90	5.57	5.75	5.96	6.07	6.06	5.49	8.50	7.39	8.28	8.47	9.53	7.30	9.93	9.62	7.24
Jul 91	5.82	5.58	5.70	5.91	5.98	5.98	5.46	8.50	7.38	8.27	8.45	9.55	7.18	9.79	9.57	7.23
Aug 91	5.66	5.33	5.39	5.45	5.65	5.72	5.38	8.50	6.80	7.90	8.14	9.25	7.05	9.44	9.24	7.08
Sep 91	5.45	5.21	5.25	5.26	5.47	5.57	5.24	8.20	6.50	7.65	7.95	9.05	6.97	9.18	9.01	6.87
Oct 91	5.21	4.99	5.04	5.04	5.33	5.29	5.03	8.00	6.23	7.53	7.93	9.02	--	9.04	8.86	6.71
Weekly																
Jul 17 91	5.85	5.58	5.71	5.90	5.97	5.98	5.47	8.50	7.38	8.28	8.46	9.61	7.17	9.74	9.54	7.23
Jul 24 91	5.75	5.58	5.73	5.91	5.97	5.94	5.46	8.50	7.38	8.28	8.48	9.53	7.13	9.70	9.50	7.21
Jul 31 91	5.79	5.56	5.69	5.85	5.92	5.92	5.44	8.50	7.27	8.20	8.38	9.35	7.10	9.57	9.44	7.22
Aug 7 91	5.83	5.46	5.54	5.66	5.80	5.83	5.44	8.50	7.03	8.04	8.24	9.30	7.07	9.46	9.27	7.14
Aug 14 91	5.62	5.32	5.39	5.45	5.63	5.68	5.40	8.50	6.84	7.93	8.18	9.18	7.03	9.40	9.19	7.05
Aug 21 91	5.68	5.21	5.25	5.27	5.57	5.65	5.35	8.50	6.66	7.82	8.09	9.24	7.03	9.38	9.17	7.03
Aug 28 91	5.58	5.36	5.40	5.43	5.64	5.71	5.31	8.50	6.73	7.86	8.11	9.17	7.00	9.38	9.15	6.96
Sep 4 91	5.60	5.32	5.35	5.38	5.60	5.73	5.26	8.50	6.65	7.80	8.04	9.11	7.02	9.33	9.14	6.93
Sep 11 91	5.56	5.28	5.30	5.32	5.55	5.65	5.26	8.50	6.61	7.76	8.03	9.04	7.00	9.18	9.02	6.87
Sep 18 91	5.44	5.19	5.22	5.24	5.42	5.51	5.21	8.07	6.50	7.64	7.94	9.01	6.95	9.11	8.95	6.83
Sep 25 91	5.29	5.19	5.24	5.24	5.40	5.49	5.18	8.00	6.43	7.57	7.90	8.96	6.91	9.09	8.92	6.83
Oct 2 91	5.33	5.11	5.14	5.13	5.46	5.50	5.16	8.00	6.30	7.49	7.84	8.93	6.87	9.03	8.87	6.74
Oct 9 91	5.19	5.02	5.08	5.07	5.34	5.31	5.08	8.00	6.21	7.44	7.83	9.02	6.90	9.02	8.82	6.74
Oct 16 91	5.28	4.99	5.03	5.03	5.30	5.26	5.02	8.00	6.22	7.50	7.91	9.04	6.91	9.02	8.82	6.71
Oct 23 91	5.24	5.04	5.09	5.11	5.34	5.28	5.02	8.00	6.29	7.61	8.04	9.12	6.93	9.11	8.91	6.66
Oct 30 91	5.10	4.92	4.97	4.97	5.30	5.26	4.97	8.00	6.21	7.59	7.98	8.98	6.86	8.86	8.78	6.58
Daily																
Oct 25 91	5.21	4.96	5.03	5.03	5.32	5.27	--	8.00	6.28	7.68	8.05	--	--	--	--	--
Oct 31 91	5.23	4.82	4.83	4.83	5.17	5.12	--	8.00	6.06	7.47	7.91	--	--	--	--	--
Nov 1 91	5.05p	4.75	4.78	4.77	5.03	5.06	--	8.00	6.02	7.48	7.93	--	--	--	--	--

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

Money and Credit Aggregate Measures

Seasonally adjusted

NOV. 4, 1991

Period	Money stock measures and liquid assets					Bank credit	Domestic nonfinancial debt ¹			
	M1	M2	nontransactions components		M3	L	total loans and investments	U.S. government ¹	other ¹	total ¹
			in M2	in M3 only						
	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	1.9	5.4	11.0	5.3	6.7
QUARTERLY AVERAGE										
1990-4th QTR.	3.4	2.0	1.6	-3.6	0.9	1.8	2.9	11.6	3.8	5.7
1991-1st QTR.	5.9	3.5	2.7	6.5	4.0	3.2	2.7	11.9	2.1	4.5
1991-2nd QTR.	7.3	4.8	4.0	-10.5	1.9	-2.4	2.7	5.7	3.0	3.7
1991-3rd QTR.	6.9	-0.3	-2.7	-12.0	-2.4		1.4			
MONTHLY										
1990-OCT.	-0.9	1.0	1.7	-4.0	0.1	-0.1	2.6	5.8	4.0	4.5
NOV.	3.1	-0.3	-1.3	0.5	-0.1	1.3	1.3	16.2	2.8	6.0
DEC.	3.1	1.5	1.0	-2.1	0.8	1.5	3.1	12.9	1.6	4.3
1991-JAN.	1.9	1.3	1.1	14.4	3.8	4.0	-1.0	10.2	1.1	3.3
FEB.	14.1	8.4	6.6	18.8	10.4	6.5	6.3	14.3	3.1	5.8
MAR.	9.5	7.4	6.7	-18.2	2.5	-0.1	6.7	5.4	3.3	3.8
APR.	-1.3	3.0	4.4	-9.2	0.7	-7.9	0.1	-3.2	3.0	1.5
MAY	13.5	4.6	1.6	-15.7	0.7	-5.1	-0.6	10.5	3.1	4.9
JUNE	9.6	1.7	-0.8	-18.4	-2.0	5.8	5.5	14.9	2.0	5.1
JULY	1.7	-3.6	-5.4	-11.5	-5.0	1.0	0.0	11.8	2.1	4.5
AUG.	9.4	0.3	-2.8	-5.2	-0.8	-1.7	-0.7	16.1	2.2	5.6
SEP.	5.5	-0.0	-2.0	-11.6	-2.2		3.2			
OCT. pe	12	3	0	-8	1					
LEVELS (\$BILLIONS) :										
MONTHLY										
1991-MAY	851.6	3397.2	2545.5	776.7	4173.9	4956.3	2750.5	2613.7	7989.4	10603.1
JUNE	858.4	3402.1	2543.7	764.8	4166.9	4980.4	2763.2	2646.1	8002.6	10648.6
JULY	859.6	3391.8	2532.2	757.5	4149.4	4984.4	2763.3	2672.1	8016.5	10688.6
AUG.	866.3	3392.6	2526.3	754.2	4146.8	4977.3	2761.6	2708.0	8030.9	10738.9
SEP.	870.3	3392.5	2522.1	746.9	4139.3		2768.9			
WEEKLY										
1991-SEP.										
2	867.0	3388.9	2522.0	751.8	4140.7					
9	867.2	3392.3	2525.1	748.1	4140.4					
16	869.6	3396.2	2526.6	749.5	4145.7					
23	870.8	3393.3	2522.5	744.6	4137.8					
30	875.1	3388.9	2513.9	744.1	4133.0					
OCT.										
7	876.1	3394.1	2518.0	744.1	4138.3					
14 p	873.0	3397.3	2524.3	743.7	4141.0					
21 p	882.6	3406.1	2523.5	742.0	4148.1					

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

Components of Money Stock and Related Measures

seasonally adjusted unless otherwise noted

NOV. 4, 1991

Period	Currency	Demand deposits	Other checkable deposits	Overnight RPs and Eurodollars NSA ¹	Savings deposits ²	Small denomination time deposits ³	Money market mutual funds		Large denomination time deposits ⁴	Term RPs NSA ⁵	Term Eurodollars NSA ⁵	Savings bonds	Short-term Treasury securities	Commercial paper ⁵	Bankers acceptances
							general purpose and broker/dealer ⁵	Institutions only							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
LEVELS (\$BILLIONS) :															
ANNUALLY (4TH QTR.)															
1988	210.8	287.3	280.1	83.4	930.3	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	884.9	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	79.0	917.6	1162.5	343.0	121.9	511.6	93.3	70.5	125.2	333.2	359.1	33.8
MONTHLY															
1990-SEP.	241.5	279.1	293.0	81.8	919.6	1160.1	339.3	116.2	521.9	98.0	70.0	123.8	332.2	359.0	31.8
OCT.	243.9	277.1	291.8	84.0	918.2	1161.4	341.6	119.6	515.1	95.2	70.2	124.5	330.3	358.8	32.6
NOV.	245.0	277.2	292.8	78.2	917.8	1161.8	341.9	120.5	512.5	95.2	70.0	125.2	333.8	359.0	34.0
DEC.	246.4	276.9	293.8	74.7	916.7	1164.2	345.4	125.7	507.1	89.6	71.4	126.0	335.4	359.4	34.7
1991-JAN.	251.6	272.9	293.9	72.0	917.1	1163.9	353.9	130.1	511.9	87.5	71.9	126.7	333.2	363.2	36.0
FEB.	255.1	276.1	296.9	71.0	926.9	1162.7	358.2	139.3	516.0	86.0	72.6	127.8	331.4	355.9	35.2
MAR.	256.7	277.1	301.0	70.1	939.7	1158.3	363.6	142.0	511.5	82.3	71.1	128.9	327.8	352.0	32.4
APR.	256.6	275.8	301.9	70.8	953.8	1150.2	364.2	145.6	507.3	81.1	68.2	130.1	307.6	337.6	30.7
MAY	256.8	278.7	308.1	69.7	969.2	1140.5	365.1	146.2	503.9	79.8	65.4	131.4	299.6	322.7	28.8
JUNE	257.6	281.0	312.0	69.3	981.0	1129.1	364.3	143.3	498.8	77.3	64.8	132.5	327.0	326.4	27.7
JULY	258.9	278.9	314.1	66.6	990.0	1118.6	359.4	141.8	491.1	78.5	65.0	133.5	337.6	336.2	27.8
AUG.	260.8	279.9	318.0	69.6	996.2	1110.3	352.8	144.8	484.5	78.6	65.4	134.4	336.5	332.5	27.0
SEP.	262.4	279.4	320.8	68.6	1002.7	1102.3	349.2	149.3	475.8	77.5	63.3				

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

NET CHANGES IN SYSTEM HOLDINGS OF SECURITIES¹
Millions of dollars, not seasonally adjusted

November 1, 1991

Period	Treasury bills			Treasury coupons					Federal agencies redemptions (-)	Net change outright holdings total ⁴	Net RPs ⁵	
	Net purchases ²	Redemptions (-)	Net change	Net purchases ³				Redemptions (-)				Net Change
				within 1 year	1-5	5-10	over 10					
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	11,128
1990 —Q1	-3,799	1,400	-5,199	100	100	—	—	—	200	—	-5,000	-4,061
—Q2	10,892	—	10,892	—	150	—	—	—	150	78	10,864	509
—Q3	5,115	—	5,115	—	—	—	—	—	—	70	5,045	-2,124
—Q4	5,241	3,000	2,241	325	-200	-100	—	—	25	35	2,230	16,805
1991 —Q1	2,160	1,000	1,160	800	2,950	400	—	—	4,150	—	5,310	-16,864
—Q2	4,356	—	4,356	900	550	—	—	—	1,450	91	5,715	992
—Q3	7,864	—	7,864	1,165	650	—	—	—	1,815	55	9,419	152
1990 October	933	—	933	—	—	—	—	—	—	34	899	2,457
November	6,658	—	6,658	325	—	—	—	—	325	—	6,983	509
December	-2,350	3,000	-5,350	—	-200	-100	—	—	-300	1	-5,651	13,839
1991 January	-120	1,000	-1,120	—	—	—	—	—	—	—	-1,120	-944
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
May	3,411	—	3,411	200	—	—	—	—	200	—	3,611	-1,153
June	37	—	37	—	—	—	—	—	—	—	37	775
July	1,359	—	1,359	625	—	—	—	—	625	55	1,929	71
August	5,776	—	5,776	340	—	—	—	—	340	—	6,116	-2,134
September	529	—	529	200	650	—	—	—	850	—	1,374	2,216
Weekly												
August 7	184	—	184	150	—	—	—	—	150	—	334	3,541
August 14	468	—	468	90	—	—	—	—	90	—	558	-5,781
August 21	960	—	960	100	—	—	—	—	100	—	1,060	3,627
August 28	406	—	406	—	—	—	—	—	—	—	406	-1,679
September 4	4,093	—	4,093	—	—	—	—	—	—	—	4,093	10,301
September 11	15	—	15	—	175	—	—	—	175	—	185	-11,492
September 18	179	—	179	200	450	—	—	—	650	—	829	15,116
September 25	—	—	—	—	25	—	—	—	25	—	25	-15,745
October 2	—	—	—	—	—	—	—	—	—	—	—	1,027
October 9	—	—	—	—	—	—	—	—	—	—	—	-2,429
October 16	—	—	—	—	—	—	—	—	—	3	-3	6,347
October 23	—	—	—	—	—	—	—	—	—	10	-10	-5,179
October 30	—	—	—	—	—	—	—	—	—	—	—	914
Memo: LEVEL (bil. \$) ⁶												
October 30			132.9	31.1	60.7	14.0	24.2		130.0		269.0	-5.8

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. Reflects net change in redemptions (-) of Treasury and agency securities.

5. Includes change in RPs (+), matched sale-purchase transactions (-), and matched purchase sale transactions (+).

6. The levels of agency issues were as follows:

within 1 year	1-5	5-10	over 10	total
2.3	2.6	1.0	0.2	6.1

October 30