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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

November 12, 1993

MONETARY POLICY ALTERNATIVES

Recent Developments

(1) Since the September 21 FOMC meeting, the federal funds rate has averaged close to its intended level of 3 percent, while most short-term rates have moved up 15 to 20 basis points.[1] [2] For maturities that recently crossed the turn of the year, much of that increase owed to the anticipated pressures on overnight rates associated with window-dressing efforts at year end.[3] The Treasury bill sector has been pressured, in part, by increases in supply: With the elimination of the seven-year note and no thirty-year bond issuance in the fourth quarter under the new auction schedule, the Treasury will, on net, retire coupon securities this quarter, and rely more heavily on bills. On October 18, Morgan Guaranty trimmed its prime lending rate 1/2 percentage point, to 5-1/2 percent, but no other major money center bank followed suit.

(2) Intermediate- and long-term rates fell in the weeks following the September FOMC meeting, reaching twenty-year lows. However, strength in incoming economic data over the latter part of the intermeeting period has contributed to upward revisions to market participants' expectations of economic growth over the intermediate run. With

1. With the usual summer bulge in seasonal borrowing receding, the Desk lowered the borrowing allowance by $150 million in four steps, to $100 million. Actual borrowing, boosted by quarter-end pressures and a miss in nonborrowed reserves related to an unexpected swing in the Treasury balance, exceeded the allowance by about $45 million, on average, in the three complete maintenance periods since the previous FOMC meeting.
2. Rate quotes are taken as of noon on Friday, November 12.
3. Term contracts currently imply about a 10 percent federal funds rate for the three-day weekend beginning December 31. However, those now using these contracts to lock in funds are said to be primarily foreign banks, which in the past have paid premiums for year-end funding.

firmer credit demands and a tighter monetary policy now foreseen over time, intermediate-term Treasury rates rose sharply, and have increased about 25 basis points on balance since the September meeting. Treasury and private long-term rates have increased as many as 20 basis points on net. The robust gains in most equity indexes that were posted early in the period were whittled back when interest rates rose in recent weeks: most major indexes registered net gains of 2 to 6 percent.

(3) The dollar's weighted-average foreign exchange value increased 2-1/4 percent, on balance, over the intermeeting period. The strength of the dollar reflected not only upward revisions to expectations about growth in the United States, but also downward revisions in the outlook for Europe and Japan. On average over the intermeeting period, both short- and long-term interest rates declined about 25 basis points in major foreign countries. In Mexico, financial markets were roiled by anxieties about the fate of NAFTA, and the peso depreciated 3 percent on balance against the dollar. In recent days, these anxieties appear to have abated, and the peso has steadied. In contrast to the general strength of the dollar, its value fell against the Canadian dollar, as the new government in Canada affirmed its support for anti-inflationary macroeconomic policies, resolving some of the uncertainties that had troubled market participants.

. The Desk did not intervene.

(4) Growth of the monetary aggregates ran a bit faster over the past two months than the staff had envisioned in the previous bluebook. Although somewhat more rapid income and spending than anticipated likely contributed to this overage, special factors also appear to have

played a role. M2 flattened in October after a relatively strong advance in September, with growth averaging 2-1/4 percent over the two months--twice the expected pace. The upward surprise in M2 owed to its most volatile component: Overnight RPs by the end of October were about $6 billion above the level anticipated at the time of the September meeting.[4] Household M2 (M2 less demand deposits and overnight RPs and Eurodollar deposits) was in line with projections of no growth. This weakness in household M2 apparently owed largely to the continued allure of capital market instruments. While flows into stock and bond mutual funds tapered off in September, partial data for October point to a substantial pickup to a near-record pace.[5] Through October M2 grew at a 1-1/4 percent annual rate from the fourth quarter of 1992, placing it in the lower portion of its annual range.[6] M1 expanded at a 12 percent rate over September and October.[7] Currency growth averaged a 10-3/4 percent rate over the past two months, in part reflecting continued strong demands for U.S. dollars abroad.[8] In addition, the surge in mortgage prepayments over the last two months provided a temporary lift to demand deposits and perhaps to other checkable deposits as well.[9]

4. As expected, NationsBank spun off its recently acquired dealer into a nonbank subsidiary, removing $4-1/2 billion of overnight RPs from M2 in late September.

5. M2 plus bond and stock mutual funds (excluding institutional holdings and IRA/Keogh accounts) is estimated to have grown at an 8-1/4 percent pace over the past two months.

6. M2 velocity rose at a 1-1/4 percent rate in the third quarter, down from about a 4 percent rate of growth over the first half of the year.

7. M1 velocity plunged in the third quarter. This decline reflects the lagged effects of prior reductions in competing interest rates as well as identifiable special factors, such as currency flows abroad and mortgage prepayments.

8. Foreign currency shipments are estimated to have accounted for about 2 percentage points of the growth in M1 over this period.

9. Total reserves and the monetary base grew at 18-1/4 and 11-1/2 percent rates, respectively, over September and October.

(5) M3 grew at a 2-1/2 percent pace over the past two months, in contrast to the staff anticipation that it would be about flat. In October, M3 was about 1/4 percent at an annual rate above the zero-percent lower bound of its annual cone. Aside from the unexpected boost provided by M2, the broader aggregate was aided by a runup in institution-only money funds. Large time deposits edged lower over the two months. Bankers apparently have had little reason to compete for deposit funds of late. Bank credit was unchanged in October and, even abstracting from the effect of the restructuring by NationsBank, expanded at only about a 3-3/4 percent rate over the past two months.

(6) The growth of nonfederal sector debt dipped to about a 3-1/2 percent rate in September but still remained ahead of its pace in the first half of the year. Short-term credit flows to businesses have remained anemic, likely reflecting further refinancing of bank loans with the proceeds of capital market offerings. Business loans at commercial banks fell over September and October, despite greater efforts by banks to extend such credit, as evidenced by some additional easing of standards and terms on business credit reported by bank loan officers in our most recent survey. Household borrowing has picked up, perhaps indicating a sense of brighter income prospects and greater comfort with financial positions. Consumer credit expanded at a 10-1/4 percent rate in September and bank data suggest another strong month in October. Net mortgage growth is estimated to have remained modest over the past few months, however, despite the apparent surge in refinancings. Similarly, the heavy gross flow of issues by state and local governments has mostly reflected efforts to pay down existing debt; net tax-exempt debt has risen at a shade above 4 percent in recent months. On balance, from the fourth quarter of 1992 through September, nonfederal debt grew at about

a 3 percent rate. With the growth of federal debt continuing to slow, the total debt of nonfinancial sectors expanded at a 4-1/2 percent rate in September, sufficient to keep the aggregate a little above the four-percent lower bound of its monitoring range.

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

	Aug.	Sep.	Oct.	QIV. to Oct.[1]
Money and credit aggregates				
M1	10.1	13.6	10.4	10.6
M2	1.6	4.0	0.5	1.3
M3	0.6	3.4	1.7	.3
Domestic nonfinancial debt	5.1	4.4	--	4.7
Federal	9.0	7.0	--	9.2
Nonfederal	3.7	3.5	--	3.1
Bank credit	3.2	4.0	0.1	4.5
Reserve measures				
Nonborrowed reserves[2]	7.5	15.2	23.0	12.2
Total reserves	9.7	16.6	19.9	12.5
Monetary base	11.5	15.2	7.8	10.6
Memo: (Millions of dollars)				
Adjustment plus seasonal borrowing	352	428	286	--
Excess reserves	952	1090	1081	--

1. QIV to September for debt aggregates.
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) Three policy alternatives are presented for consideration by the Committee. Under alternative B, the federal funds rate would continue to trade around 3 percent.[10] This alternative is consistent with the monetary policy assumption of a steady federal funds rate for several quarters ahead that underlies the greenbook projection of economic activity and inflation. In that forecast, real GDP growth settles into a 2-1/2 percent pace next year, as the stimulus imparted by past interest rate declines and diminishing balance-sheet and credit supply constraints about offsets the drag from continued fiscal retrenchment; the unemployment rate remains around 6-3/4 percent, and core inflation edges down. Market participants generally seem to believe that the economic expansion will run a little faster than projected by the staff and to avoid a pickup in inflation down the road the Federal Reserve will begin to firm reserve conditions in the first half of next year. If economic and inflation data over coming months instead prove to be closer to the staff forecast, bond yields probably will retrace some of their recent runup.

(8) The staff expects that a little faster expansion of spending and less cautious attitudes toward credit on the part of borrowers and lenders will contribute to a slight pickup in the growth of nonfederal debt over coming months. Securities markets should remain very receptive to offerings, as spreads of both investment-grade and junk issues relative to Treasuries stay narrow. With long-term rates not much above their recent lows, borrowing by households and firms is

10. The allowance for adjustment and seasonal borrowing would be maintained initially at its current level of $100 million. Further small reductions in the allowance likely would be needed over the intermeeting period as demands for seasonal credit continue to fall off.

expected to continue to be focused on longer-term sources. The recent trend toward a greater willingness to lend by banks and other intermediaries is unlikely to be reversed. However, credit flows through depositories, while firming in early 1994, are likely to remain subdued, limiting banks' and thrifts' need to bid for deposits. For 1993, domestic nonfinancial sector debt is projected to finish the year 4-1/2 percent above its 1992:Q4 base, a little above the lower edge of its 4 to 8 percent monitoring range. From the fourth quarter of this year through next March, debt is projected to expand at a 5-1/4 percent rate; this growth would place it well within its tentative 1994 monitoring range of 4 to 8 percent.

	Alt. A	Alt. B	Alt. C
Growth from October to December			
M2	2-1/2	2	1-1/2
M3	1-1/4	1	1
M1	11-1/2	10-1/2	9-1/2
Growth from October to March 1994			
M2	3	2-1/2	2
M3	1-3/4	1-1/2	1-1/4
M1	11-1/4	10-1/2	9-1/2

(9) As shown in the lower panel of the above table, M2 under alternative B is projected to grow at a 2-1/2 percent rate over October to March. This would leave M2 in the fourth quarter 1-1/4 percent above its Q4 1992 base, just within its 1 to 5 percent annual range. By next March, this aggregate would be 2-3/4 percent at an annual rate above its fourth quarter 1993 base, and well within its provisional range. The firming in M2 growth over the next several months reflects forecasts of stronger expansion in nominal GDP late this year, the effects of the recent surge in mortgage refinancing activity, and lagged stimulus from

Alternative Levels and Growth Rates for Key Monetary Aggregates

		M2			M3			M1		
		Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C	Alt. A	Alt. B	Alt. C
Levels in Billions										
Sep-93		3532.9	3532.9	3532.9	4176.8	4176.8	4176.8	1106.5	1106.5	1106.5
Oct-93		3534.7	3534.7	3534.7	4183.2	4183.2	4183.2	1116.2	1116.2	1116.2
Nov-93		3540.1	3539.3	3538.4	4186.6	4186.2	4185.9	1126.4	1125.9	1125.3
Dec-93		3549.4	3546.5	3543.5	4192.4	4190.9	4189.5	1137.8	1135.9	1134.0
Jan-94		3563.0	3558.3	3553.6	4202.0	4199.5	4197.0	1148.4	1145.4	1142.3
Feb-94		3571.7	3565.7	3559.8	4207.9	4204.7	4201.6	1158.7	1154.9	1151.1
Mar-94		3580.0	3573.2	3566.3	4213.6	4210.0	4206.3	1169.0	1164.5	1160.1
Monthly Growth Rates										
Sep-93		4.0	4.0	4.0	3.4	3.4	3.4	13.6	13.6	13.6
Oct-93		0.6	0.6	0.6	1.8	1.8	1.8	10.5	10.5	10.5
Nov-93		1.9	1.6	1.3	1.0	0.9	0.8	11.0	10.4	9.8
Dec-93		3.2	2.5	1.8	1.7	1.4	1.1	12.1	10.7	9.3
Jan-94		4.6	4.0	3.4	2.8	2.5	2.2	11.2	10.0	8.8
Feb-94		2.9	2.5	2.1	1.7	1.5	1.3	10.8	10.0	9.2
Mar-94		2.8	2.5	2.2	1.6	1.5	1.4	10.6	10.0	9.4
Quarterly Averages										
93 Q2		2.2	2.2	2.2	2.3	2.3	2.3	10.5	10.5	10.5
93 Q3		3.1	3.1	3.1	1.2	1.2	1.2	12.9	12.9	12.9
93 Q4		2.0	1.9	1.7	1.9	1.8	1.7	11.5	11.2	11.0
94 Q1		3.4	2.9	2.4	1.9	1.7	1.5	11.3	10.3	9.2
Growth Rate										
From	To									
Sep-93	Dec-93	1.9	1.5	1.2	1.5	1.4	1.2	11.3	10.6	9.9
Oct-93	Dec-93	2.5	2.0	1.5	1.3	1.1	0.9	11.6	10.6	9.6
Dec-93	Mar-94	3.4	3.0	2.6	2.0	1.8	1.6	11.0	10.1	9.2
Oct-93	Mar-94	3.1	2.6	2.1	1.7	1.5	1.3	11.3	10.4	9.4
92 Q4	Oct-93	1.3	1.3	1.3	0.3	0.3	0.3	10.6	10.6	10.6
92 Q4	Dec-93	1.5	1.4	1.3	0.4	0.4	0.4	10.9	10.8	10.6
93 Q4	Mar-94	3.3	2.8	2.3	1.9	1.7	1.4	11.2	10.3	9.3
91 Q4	92 Q4	1.7	1.7	1.7	0.2	0.2	0.2	14.3	14.3	14.3
92 Q4	93 Q4	1.4	1.3	1.3	0.4	0.4	0.3	10.8	10.7	10.6
1993 Target Ranges:		1.0 to 5.0			0.0 to 4.0					

Chart 1

ACTUAL AND TARGETED M2

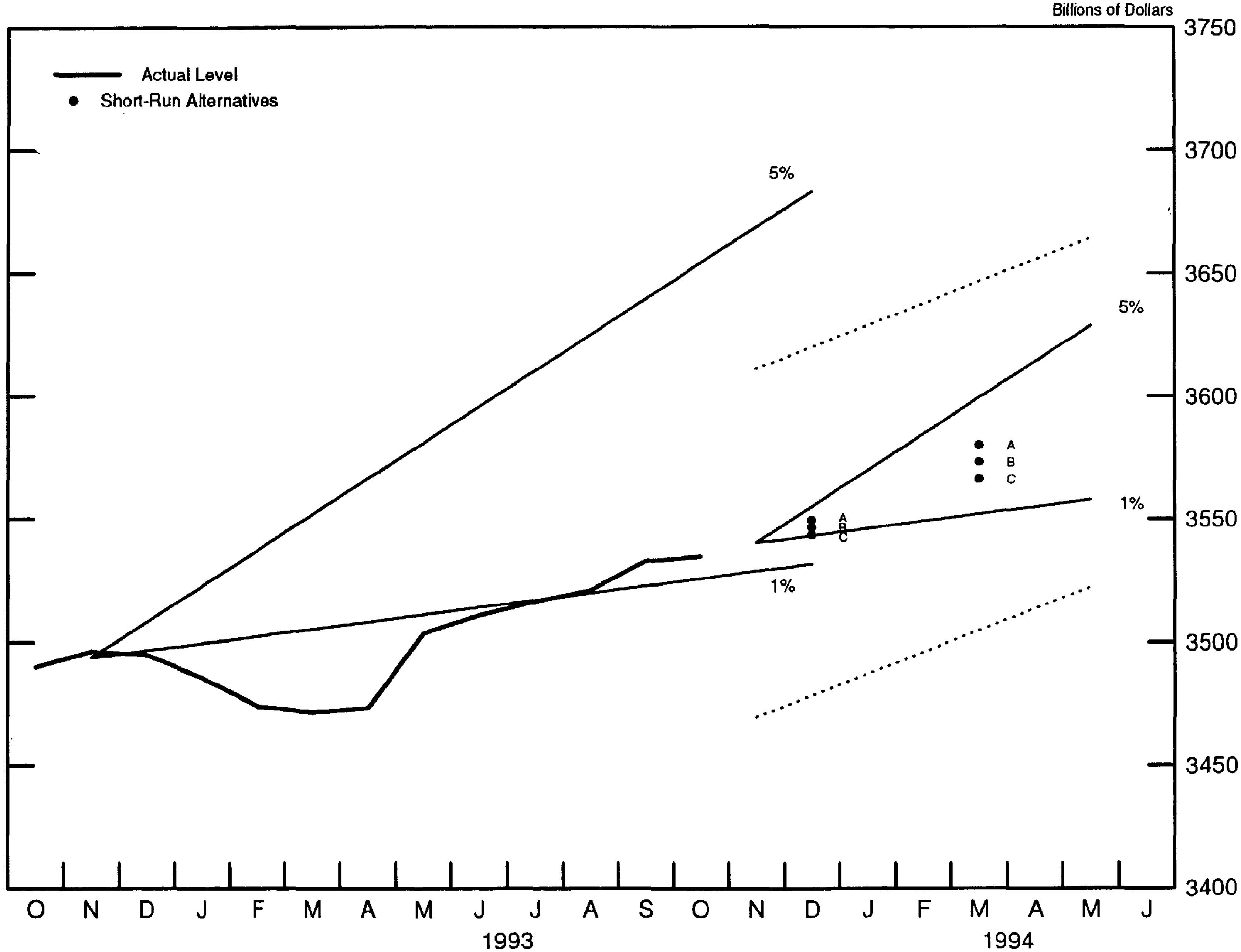


Chart 2

ACTUAL AND TARGETED M3

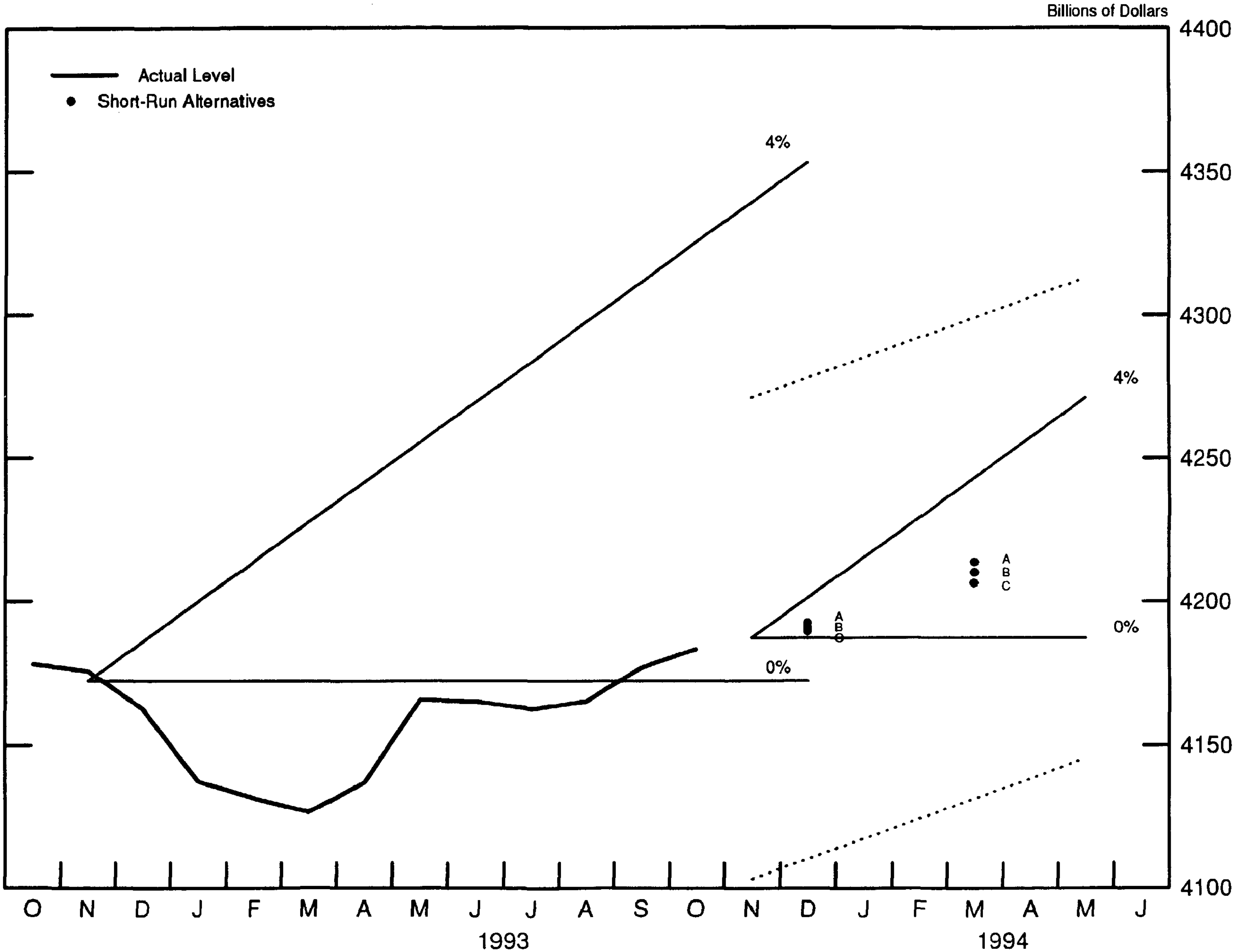


Chart 3

M1

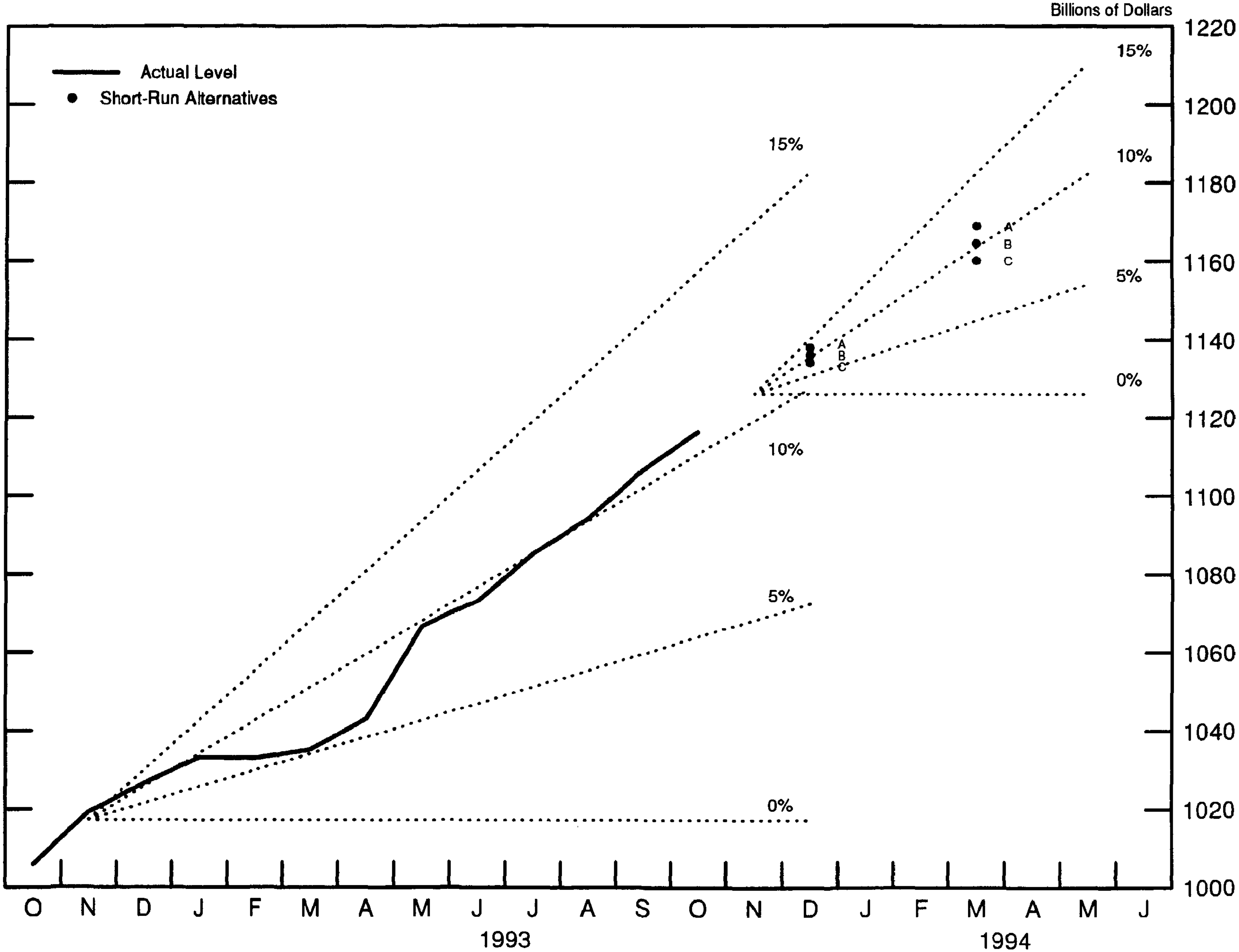
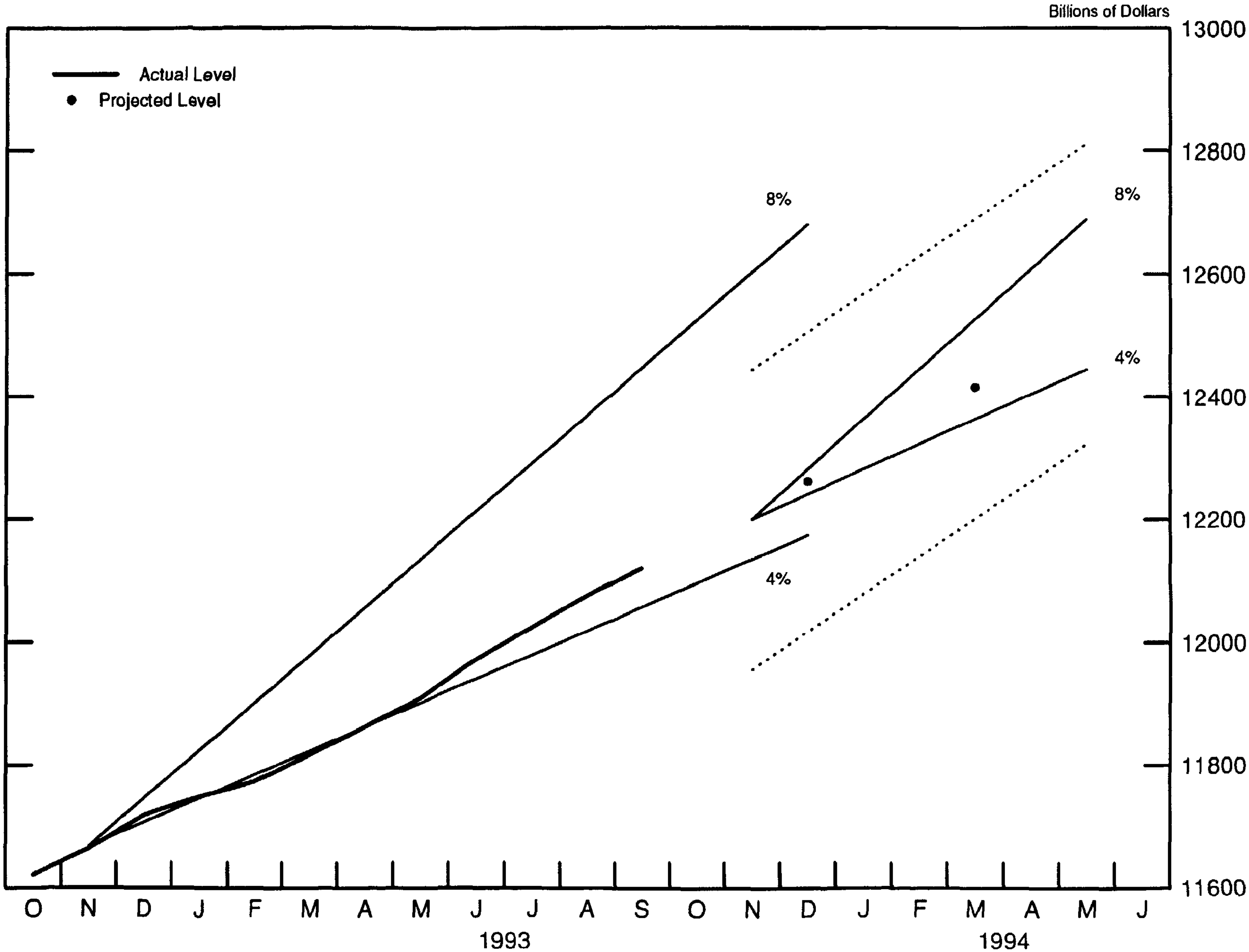

Billions of Dollars
Actual Level
Short-Run Alternatives
1220
1200
1180
1160
1140
1120
1100
1080
1060
1040
1020
1000
15%
10%
5%
0%
15%
10%
5%
0%
A
B
C
A
B
C
O
N
D
J
F
M
A
M
J
J
A
S
O
N
D
J
F
M
A
M
J
1993
1994

Chart 4

Debt



Billions of Dollars
Actual Level
Projected Level
8%
8%
4%
4%
13000
12800
12600
12400
12200
12000
11800
11600
O N D J F M A M J J A S O N D J F M A M J
1993
1994

the previous flattening of the yield curve. Despite the latter two effects, M2 velocity rises noticeably further in the fourth and first quarters as funds continue to be diverted from deposits into longer-term mutual funds. For that reason, the velocity of M2+, which adds the market value of net holdings of bond and stock mutual funds to M2, seems likely to remain more stable than that of M2 in coming quarters. M1, which is projected to expand at a 10-1/2 percent rate from October to March, would still account for all of the increase in M2. The continued brisk pace of M1 growth mainly owes to earlier declines in its opportunity cost, but sustained strong foreign currency demands also are seen as supporting expansion of this aggregate.[11] With core deposits and non-deposit sources continuing to fund the bulk of moderate expansion of bank credit, issuance of managed liabilities in M3 should remain weak. M3 would increase at a 1-1/2 percent rate from October to March. This aggregate would be a little above the lower bound of its 0 to 4 percent range for 1993 and more distinctly within its tentative 1994 range by March.

(10) Under Alternative C, the federal funds rate would rise 1/2 percentage point to 3-1/2 percent.[12] An immediate firming of reserve market conditions is not embedded in market interest rates, and consequently, short-term interest rates are likely to rise by nearly the full 1/2 percentage point increase in the federal funds. Long-term rates probably would rise appreciably at first, but some of those increases could be reversed over time as market participants interpreted that action as trimming the trajectory of economic activity and prices and reducing the need for more aggressive tightening in the future.

11. In association with continued rapid growth in M1 and required reserves, total reserves would expand at a 9.6 percent pace over the October-March period and the monetary base at a 9.3 percent rate.
12. The borrowing allowance would be increased to $125 million.

With dollar-denominated returns rising significantly, the dollar likely would appreciate considerably on foreign exchange markets.

(11) The Committee might favor alternative C if strength in recent economic data were seen as implying that any delay in firming ran an unacceptably high risk that economic activity could develop excessive momentum that would rapidly erode the remaining degree of slack and produce an acceleration of prices. Even if growth in aggregate demand turns out to be as moderate as in the staff forecast, a tightening would better ensure a resumption of a distinct downward trend to inflation. Under this alternative, M2 would expand at a 2 percent rate from October through March of next year, leaving growth from the fourth quarter of this year in the lower half of its tentative range. M3 would expand at a 1-1/4 percent rate from October through March, also in the lower half of its provisional range.

(12) Alternative A contemplates an easing in reserve market pressures and a decline in the federal funds rate to 2-1/2 percent.[13] Implementation of alternative A would be especially surprising to market participants, given their view that underlying economic growth is strengthening. Short-term interest rates, including the prime rate, probably would fall by about the 50 basis point reduction in the federal funds rate, and the value of the dollar on foreign exchange markets likely would decline. In these circumstances, any lasting reduction in intermediate- and longer-term interest rates likely would be limited by a belief that the action would need to be reversed before too long, as well as by perceptions that the Federal Reserve was placing less weight

13. The reduction in the federal funds rate would be accomplished either through a commensurate cut in the discount rate or through a reduction in the borrowing allowance to $75 million.

on containing inflationary pressures and more weight on promoting near-term growth in output and employment. Issuance of bonds and mortgages likely would be heavy, as borrowers reacted to a sense that this was the last window of low long-term rates for quite some time.

(13) Alternative A might be viewed as appropriate if the Committee wished to make appreciable progress in reducing remaining slack in the economy, in contrast to the plateau for the unemployment rate seen in the staff forecast. Lower short rates might also be seen as desirable if the Committee were concerned about the possibility of renewed weakness in economic growth over coming quarters, perhaps brought on by tax increases becoming effective in 1994. This alternative would provide somewhat greater assurance that growth of the broad monetary aggregates would be well within their annual ranges in the first half of next year. Although the steeper yield curve under alternative A would make bond and stock funds more attractive, experience of the last few years suggests some net shift of funds from market instruments to M2 in the months following monetary policy easings. Thus, the staff projects that M2 in March would be 3-1/4 percent at an annual rate above its fourth-quarter base, a little above the middle of its tentative range, and M3 would be higher by 2 percent, around the middle of its range.

Directive Language

(14) Presented below is draft wording for the operational paragraph that includes the usual options for Committee consideration.

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. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly (SOMEWHAT) greater reserve restraint (WOULD/MIGHT) or slightly (SOMEWHAT) lesser reserve restraint (WOULD) might be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with modest growth in M2 and M3 over COMING MONTHS ~~the balance of the year~~.

SELECTED INTEREST RATES
(percent)

	Short-Term								Long-Term							
	federal funds	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	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
92 -- High	4.20	4.05	4.22	4.51	4.32	5.02	4.51	6.50	6.32	7.65	8.07	8.99	6.87	9.09	9.03	6.22
-- Low	2.86	2.69	2.82	2.91	3.07	3.17	2.74	6.00	4.24	6.30	7.29	8.06	6.12	7.73	7.84	4.97
93 -- High	3.24	3.10	3.26	3.48	3.36	3.39	2.92	6.00	5.06	6.73	7.46	8.28	6.44	8.17	8.14	5.36
-- Low	2.87	2.82	2.94	3.07	3.06	3.07	2.59	6.00	4.07	5.24	5.83	6.79	5.41	6.72	6.74	4.14
Monthly																
Nov 92	3.09	3.13	3.34	3.52	3.58	3.25	2.83	6.00	5.14	6.87	7.61	8.51	6.56	8.35	8.31	5.26
Dec 92	2.92	3.22	3.36	3.55	3.48	3.71	2.82	6.00	5.21	6.77	7.44	8.27	6.43	8.22	8.22	5.45
Jan 93	3.02	3.00	3.14	3.35	3.19	3.21	2.83	6.00	4.93	6.60	7.34	8.13	6.40	8.03	8.02	5.23
Feb 93	3.03	2.93	3.07	3.25	3.12	3.14	2.72	6.00	4.58	6.26	7.09	7.80	6.12	7.65	7.68	4.98
Mar 93	3.07	2.95	3.05	3.20	3.11	3.15	2.66	6.00	4.40	5.98	6.82	7.61	5.85	7.57	7.50	4.79
Apr 93	2.96	2.87	2.97	3.11	3.09	3.13	2.65	6.00	4.30	5.97	6.85	7.66	5.99	7.46	7.47	4.71
May 93	3.00	2.96	3.07	3.23	3.10	3.11	2.62	6.00	4.40	6.04	6.92	7.75	5.92	7.48	7.47	4.65
Jun 93	3.04	3.07	3.20	3.39	3.21	3.19	2.62	6.00	4.53	5.96	6.81	7.59	5.87	7.41	7.42	4.64
Jul 93	3.06	3.04	3.16	3.33	3.16	3.15	2.64	6.00	4.43	5.81	6.63	7.43	5.80	7.19	7.21	4.56
Aug 93	3.03	3.02	3.14	3.30	3.14	3.14	2.64	6.00	4.36	5.68	6.32	7.16	5.67	7.05	7.11	4.48
Sep 93	3.09	2.95	3.06	3.22	3.12	3.14	2.65	6.00	4.17	5.36	6.00	6.94	5.50	6.89	6.92	4.36
Oct 93	2.99	3.02	3.12	3.25	3.24	3.14	2.65	6.00	4.18	5.33	5.94	6.91	5.48	6.85	6.83	4.25
Weekly																
Jul 28 93	3.03	3.09	3.24	3.46	3.18	3.15	2.65	6.00	4.59	5.92	6.68	7.37	5.87	7.19	7.25	4.55
Aug 4 93	3.10	3.06	3.20	3.40	3.16	3.16	2.65	6.00	4.52	5.84	6.55	7.31	5.83	7.23	7.21	4.55
Aug 11 93	2.98	3.03	3.17	3.36	3.16	3.15	2.64	6.00	4.48	5.82	6.48	7.17	5.68	7.12	7.17	4.51
Aug 18 93	3.06	3.01	3.12	3.28	3.13	3.15	2.64	6.00	4.38	5.71	6.32	7.09	5.61	6.97	7.10	4.45
Aug 25 93	2.98	2.99	3.10	3.25	3.14	3.12	2.64	6.00	4.26	5.58	6.21	6.97	5.56	6.87	6.97	4.41
Sep 1 93	3.08	3.01	3.11	3.23	3.13	3.13	2.64	6.00	4.19	5.45	6.10	6.83	5.52	6.82	6.93	4.40
Sep 8 93	2.99	2.96	3.05	3.16	3.11	3.13	2.64	6.00	4.07	5.30	5.93	6.85	5.44	6.91	6.82	4.33
Sep 15 93	3.03	2.97	3.07	3.22	3.12	3.13	2.64	6.00	4.17	5.33	5.94	6.99	5.49	6.88	6.96	4.36
Sep 22 93	3.12	2.94	3.07	3.26	3.12	3.14	2.65	6.00	4.21	5.42	6.07	7.07	5.51	6.94	6.95	4.34
Sep 29 93	3.05	2.92	3.05	3.23	3.10	3.16	2.65	6.00	4.17	5.35	6.01	6.95	5.53	6.95	6.89	4.29
Oct 6 93	3.24	2.95	3.06	3.23	3.24	3.16	2.68	6.00	4.18	5.36	6.01	6.93	5.52	6.78	6.87	4.28
Oct 13 93	2.91	3.00	3.09	3.21	3.22	3.15	2.64	6.00	4.12	5.28	5.94	6.79	5.41	6.72	6.81	4.33
Oct 20 93	2.97	3.03	3.11	3.24	3.22	3.13	2.65	6.00	4.11	5.24	5.83	6.97	5.44	6.87	6.74	4.14
Oct 27 93	2.97	3.06	3.17	3.30	3.26	3.14	2.64	6.00	4.24	5.42	5.98	6.97	5.56	6.94	6.86	4.19
Nov 3 93	3.04	3.07	3.22	3.37	3.34	3.15	2.66	6.00	4.39	5.54	6.03	7.25	5.72	7.26	7.11	4.17
Nov 10 93	2.96	3.09	3.25	3.40	3.36	3.15	2.65	6.00	4.49	5.70	6.20	7.23	5.69	7.24	7.12	4.28
Daily																
Nov 5 93	2.95	3.06	3.26	3.42	3.36	3.15	--	6.00	4.53	5.75	6.22	--	--	--	--	--
Nov 11 93	2.91	--	--	--	--	--	--	6.00	--	--	--	--	--	--	--	--
Nov 12 93	2.98p	3.11	3.25	3.38	3.36	3.14	--	6.00	4.45	5.66	6.15	--	--	--	--	--

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

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[1]	U.S. government[2]	other[2]	total[2]
	1	2	3	4	5	6	7	8	9	10
Annual growth rates(%):										
Annually (Q4 to Q4)										
1990	4.3	4.0	3.9	-6.5	1.8	2.0	5.6	10.2	5.5	6.6
1991	8.0	2.8	1.1	-6.2	1.1	0.3	3.4	11.3	2.6	4.6
1992	14.3	1.7	-2.7	-6.7	0.2	1.3	3.8	10.7	3.1	5.0
Quarterly Average										
1992-4th QTR.	16.8	2.6	-3.0	-15.0	-0.4	1.4	4.1	6.7	3.5	4.3
1993-1st QTR.	6.5	-1.9	-5.4	-14.0	-3.9	-2.4	1.8	7.6	2.5	3.8
1993-2nd QTR.	10.5	2.2	-1.4	3.3	2.3	3.3	6.1	10.4	2.5	4.6
1993-3rd QTR.	12.9	3.1	-1.1	-9.3	1.2	1.6	7.2	9.2	3.9	5.3
Monthly										
1992-OCT.	19.3	3.8	-2.4	-24.9	-1.1	0.6	3.3	1.0	3.7	3.0
NOV.	15.6	2.2	-3.3	-15.2	-0.7	2.2	2.7	7.2	3.3	4.3
DEC.	8.8	-0.5	-4.3	-20.8	-3.8	-2.0	2.2	13.8	2.7	5.6
1993-JAN.	7.7	-3.2	-7.7	-28.8	-7.3	-5.8	-1.2	4.0	2.8	3.1
FEB.	-0.2	-4.0	-5.6	10.3	-1.7	-0.9	3.3	4.7	1.8	2.5
MAR.	2.6	-0.9	-2.4	-4.0	-1.4	-0.2	6.3	11.8	1.8	4.4
APR.	9.0	0.6	-3.0	15.8	3.0	3.8	4.2	10.7	2.4	4.6
MAY	27.3	10.5	3.3	-2.7	8.4	9.4	8.2	10.2	2.8	4.8
JUNE	7.2	2.5	0.4	-14.3	-0.2	0.5	9.1	12.2	4.1	6.2
JULY	13.3	1.9	-3.2	-15.0	-0.8	-0.5	9.2	7.4	4.5	5.3
AUG.	10.1	1.6	-2.1	-3.9	0.8	3.4	3.2	9.1	3.7	5.1
SEP.	13.6	4.0	-0.3	0.0	3.4	-1.5	4.0	7.0	3.5	4.4
OCT. p	10.5	0.6	-3.9	8.6	1.8		0.1			
Levels ($Billions):										
Monthly										
1993-JUNE	1073.1	3510.9	2437.8	654.2	4165.1	5067.8	3014.6	3207.9	8764.1	11972.0
JULY	1085.0	3516.4	2431.3	646.0	4162.4	5065.6	3037.8	3227.8	8796.9	12024.7
AUG.	1094.1	3521.1	2427.0	643.9	4165.1	5079.9	3046.0	3252.2	8823.8	12076.0
SEP.	1106.5	3532.9	2426.4	643.9	4176.8	5073.4	3056.2	3271.2	8849.5	12120.7
OCT. p	1116.2	3534.7	2418.5	648.5	4183.2		3056.5			
Weekly										
1993-OCT. 4	1112.6	3537.3	2424.7	649.1	4186.4					
11	1111.7	3536.3	2424.6	646.6	4182.9					
18	1116.5	3535.2	2418.7	646.6	4181.7					
25 p	1114.5	3530.2	2415.7	654.0	4184.2					
NOV. 1 p	1118.7	3529.1	2410.4	646.4	4175.5					

1. Adjusted for breaks caused by reclassifications.
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

Strictly Confidential (FR)-
Class II FOMC

Components of Money Stock and Related Measures

Seasonally adjusted unless otherwise noted

NOVEMBER 15, 1993

Period	Currency	Demand deposits	Other checkable deposits	Overnight RPs and Euro-dollars NSA[1]	Savings deposits[2]	Small denomi-nation time deposits[3]	Money market mutual funds: general purpose and broker/dealer[4]	Money market mutual funds: Institutions only	Large denomi-nation time deposits[5]	Term RP's NSA[1]	Term Euro-dollars NSA[1]	Savings bonds	Short-term Treasury securities	Commercial paper[1]	Bankers acceptan-ces
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Levels ($Billions):															
Annually (4th Qtr.)															
1990	245.4	277.7	293.1	78.8	919.8	1171.6	348.2	131.5	496.9	93.6	68.0	125.2	329.9	356.2	36.3
1991	265.8	287.0	329.6	73.4	1028.8	1081.0	362.9	175.6	432.3	74.7	60.7	137.0	319.4	336.3	24.4
1992	290.0	338.8	380.2	75.4	1179.0	880.3	344.1	207.5	360.8	80.5	47.0	154.5	325.6	369.6	20.4
Monthly															
1992-OCT.	288.0	336.0	373.7	75.7	1170.5	894.4	346.3	210.9	366.6	79.6	48.1	151.9	320.2	368.0	20.5
NOV.	289.8	339.5	381.6	75.8	1180.4	879.3	343.7	209.2	360.2	81.4	47.2	154.7	325.1	372.4	20.3
DEC.	292.3	340.8	385.2	74.8	1186.0	867.3	342.3	202.3	355.7	80.6	45.6	156.8	331.4	368.4	20.4
1993-JAN.	294.8	341.9	388.6	73.3	1184.4	858.3	340.0	197.7	348.5	79.7	43.5	158.9	337.5	360.7	20.6
FEB.	296.9	341.8	386.4	74.1	1182.4	853.1	333.2	201.9	344.0	82.1	46.7	161.1	342.9	355.9	20.2
MAR.	299.0	341.9	386.3	74.5	1178.8	848.1	332.7	200.9	338.1	85.7	49.8	162.7	341.6	360.3	19.3
APR.	301.4	347.2	386.2	72.7	1181.6	841.1	331.5	200.4	343.2	88.8	48.7	163.9	340.7	365.5	19.3
MAY	304.0	359.1	395.5	70.0	1193.7	834.4	336.4	202.8	343.1	89.7	48.7	164.8	347.1	368.4	19.4
JUNE	306.8	360.5	397.8	73.5	1198.8	826.7	336.2	198.1	339.8	92.8	45.5	165.7	349.2	369.1	18.7
JULY	309.6	365.7	401.9	75.7	1200.1	817.6	335.9	195.0	335.2	96.4	41.9	166.8	349.9	369.1	17.5
AUG.	312.6	370.7	403.1	78.4	1205.1	810.0	334.3	193.3	335.4	96.0	43.8	167.8	349.4	381.4	16.2
SEP.	316.4	376.4	406.0	81.4	1208.7	803.3	332.4	194.1	333.7	95.4	44.7	168.8	329.3	381.7	16.8
OCT. p	318.2	380.0	410.2	83.7	1209.3	795.8	333.0	196.6	334.5	93.9	45.3				

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, depository institutions, U.S. government, and foreign banks and official institutions.

p preliminary

STRICTLY CONFIDENTIAL (FR)
CLASS II-FOMC

November 12, 1993

NET CHANGES IN SYSTEM HOLDINGS OF SECURITES[1]

Millions of dollars, not seasonally adjusted

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					
1990	17,448	4,400	13,048	425	50	-100	---	---	375	183	13,240	11,128
1991	20,038	1,000	19,038	3,043	6,583	1,280	375	---	11,282	292	27,726	-1,614
1992	13,086	1,600	11,486	1,096	13,118	2,818	2,333	---	19,365	632	30,219	-13,215
1992 ---Q1	-1,000	1,600	-2,600	---	2,452	---	---	---	2,452	85	-233	-14,636
---Q2	4,415	---	4,415	285	2,193	597	655	---	3,730	250	7,896	1,137
---Q3	867	---	867	350	3,900	945	731	---	5,927	176	6,617	14,195
---Q4	8,805	---	8,805	461	4,572	1,276	947	---	7,256	121	15,939	-13,912
1993 ---Q1	---	---	---	279	1,441	716	705	---	3,141	289	2,851	-461
---Q2	7,749	---	7,749	244	2,490	1,147	1,110	---	4,990	91	12,648	10,624
---Q3	1,268	---	1,268	511	3,700	1,297	817	---	6,326	526	7,067	-8,644
1992 November	1,064	---	1,064	461	4,172	1,176	947	---	6,756	---	7,820	2,425
December	3,669	---	3,669	---	200	100	---	---	300	121	3,848	2,929
1993 January	---	---	---	---	---	---	---	---	---	103	-103	-6,128
February	---	---	---	---	---	---	---	---	---	85	-85	4,788
March	---	---	---	279	1,441	716	705	---	3,141	101	3,039	879
April	121	---	121	244	2,490	1,147	1,110	---	4,990	28	5,083	-5,514
May	349	---	349	---	---	---	---	---	---	41	308	4,112
June	7,280	---	7,280	---	---	---	---	---	---	22	7,258	12,027
July	---	---	---	---	200	---	---	---	200	366	-166	-14,435
August	902	---	902	100	1,100	500	100	---	1,800	125	2,577	4,528
September	366	---	366	411	2,400	797	717	---	4,326	35	4,656	1,262
October	1,396	468	927	---	---	---	---	---	---	70	857	-6,723
Weekly												
August 4	---	---	---	---	200	---	100	---	300	---	300	6,299
11	379	---	379	---	---	---	---	---	---	---	379	-1,159
18	276	---	276	---	650	500	---	---	1,150	---	1,426	2,726
25	143	---	143	100	250	---	---	---	350	125	368	-4,815
September 1	104	---	104	---	200	---	---	---	200	---	304	3,833
8	10	---	10	211	2,300	797	717	---	4,026	---	4,036	-3,206
15	63	---	63	---	---	---	---	---	---	---	63	1,867
22	---	---	---	---	---	---	---	---	---	---	---	18,292
29	65	---	65	200	---	---	---	---	200	35	230	-15,535
October 6	304	---	304	---	100	---	---	---	100	---	404	-6,182
13	82	---	82	---	---	---	---	---	---	5	77	472
20	281	468	-188	---	---	---	---	---	---	30	-218	1,314
27	361	---	361	---	---	---	---	---	---	35	326	-1,910
November 3	1,235	---	1,235	---	100	---	---	---	100	---	1,335	-2,301
10	3,859	---	3,859	---	---	---	---	---	---	---	3,859	3,738
Memo: LEVEL (bil. $) [6]												
November 10			165.1	201.1	75.7	21.6	31.1		329.5		336.9	-2.6

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
November 10	1.9	2.1	0.6	0.1	4.7