Prefatory Note

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Please note that this document may contain occasional gaps in the text. These gaps are the result of a redaction process that removed information obtained on a confidential basis. All redacted passages are exempt from disclosure under applicable provisions of the Freedom of Information Act.

[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).

[2] A two-step process was used. An advanced optimal character recognition computer program (OCR) first created electronic text from the document image. Where the OCR results were inconclusive, staff checked and corrected the text as necessary. Please note that the numbers and text in charts and tables were not reliably recognized by the OCR process and were not checked or corrected by staff.

MONETARY POLICY ALTERNATIVES

PREPARED FOR THE FEDERAL OPEN MARKET COMMITTEE
BY THE STAFF OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Strictly Confidential (F.R.) October 1, 1999
Class I -- FOMC

MONETARY POLICY ALTERNATIVES

Recent Developments

(1) The 1/4 percentage point firming in the stance of policy at the August meeting, along with the retention of a symmetric directive, was widely anticipated in financial markets and had little impact on near-term expectations.[1] The reference in the announcement to markedly diminished inflation risks, however, led market participants to revise down slightly their anticipations of additional policy actions next year. In the weeks that followed, the effects on market participants' policy expectations of surprisingly strong indicators of spending at home and abroad and of rising commodity prices were only partly offset by favorable readings on broad price indexes and declines in equity prices.[2] On net over the intermeeting period, money market futures rates through next year showed mixed changes. Judging by the configuration of these rates, market participants appear to be placing relatively low odds on a firming of monetary policy over the balance of 1999 and seem to have at least a 1/2 percentage point tightening built in next year (chart). Rates on Treasury notes and bonds rose 5 to 20 basis points over the intermeeting period.

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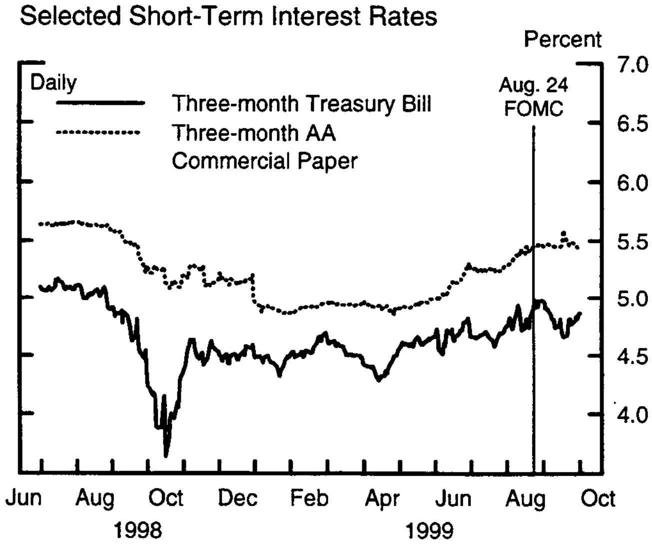
[1] The federal funds rate averaged close to the intended 5-1/4 percent level over the intermeeting period.

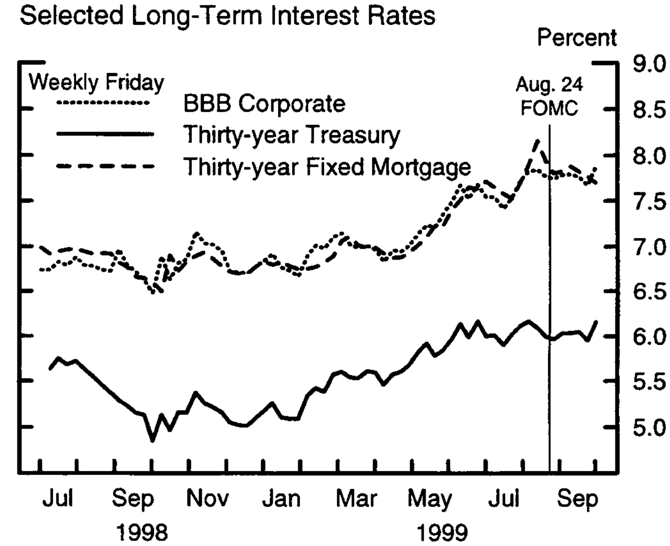
[2] Gold prices rose 21 percent over the intermeeting period, mostly resulting from the announcement by the ECB and European national central banks that their reserve sales and leasing operations would be capped for the next five years. While Treasury prices did seem to respond to sharp swings on gold prices on certain days, market participants, in the main, apparently looked through these gyrations as relative price changes that did not materially reflect inflation expectations. The nearly $3 rise in oil prices since the August meeting, however, seemed to be one factor contributing to concerns about inflation tendencies.

Chart 1

Selected Short-Term Interest Rates

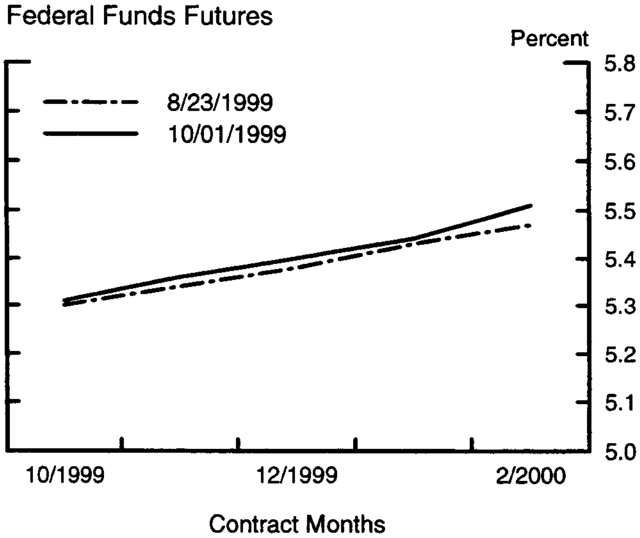


Selected Long-Term Interest Rates

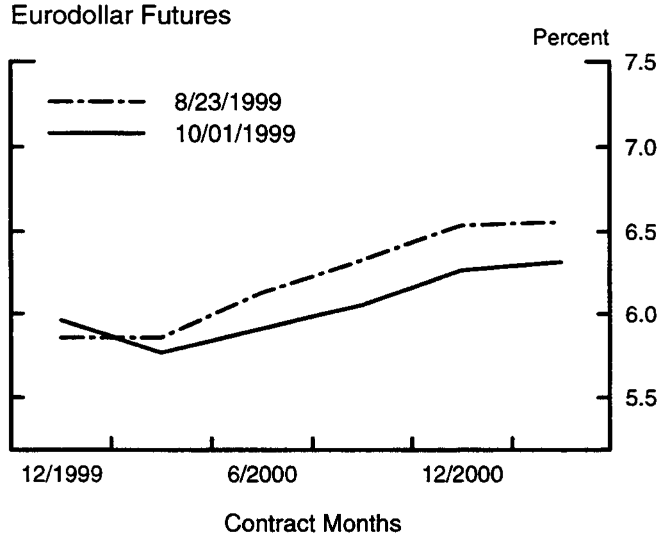


Source. Merrill Lynch

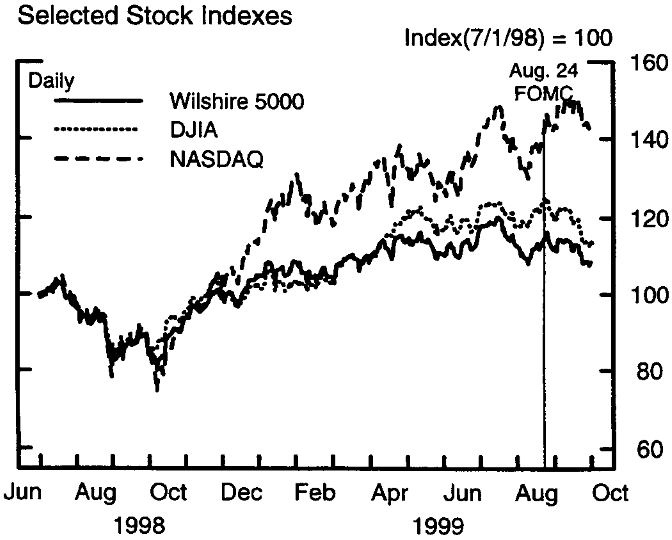
Federal Funds Futures



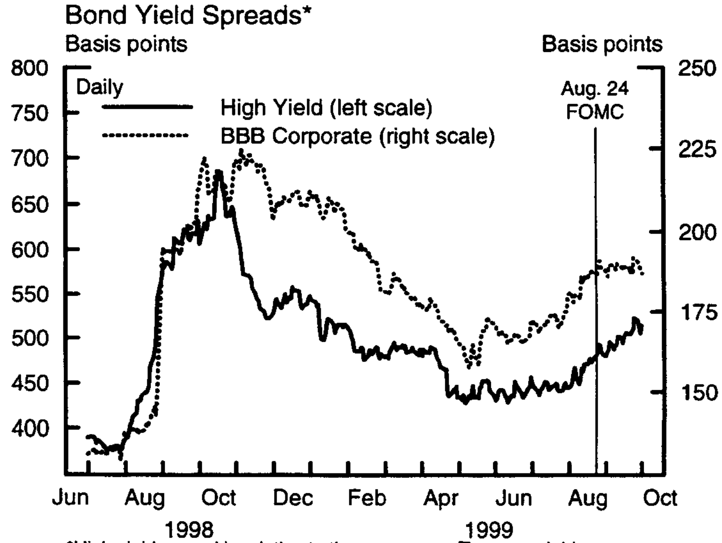
Eurodollar Futures



Selected Stock Indexes



Bond Yield Spreads*



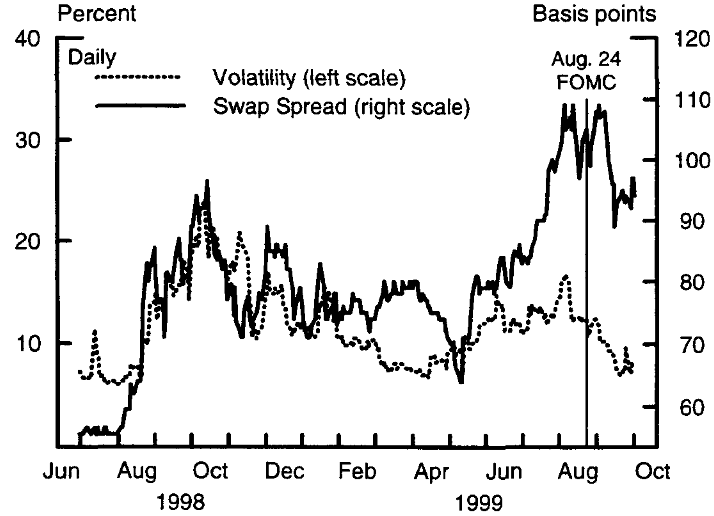
*High yield spread is relative to the seven-year Treasury yield.
BBB corporate spread is relative to the ten-year Treasury yield.

(2) Although most recent information on corporate profits has been positive, investors appear to have become more cautious in assessing the outlook for business finances. Over the intermeeting period, yield spreads on investment-grade corporate bonds on average remained at their elevated late-August levels, even though recent issuance was less than anticipated, and spreads on higher-yield debt widened significantly further. At banks, spreads on business loans have remained at the higher levels reached in the spring, or by some measures even widened further. In addition, most broad measures of equity prices fell substantially over the intermeeting period. Concerns that shares might be overvalued seemed to be heightened by doubts about whether the willingness of global investors to accumulate dollar assets, including U.S. equities, would keep pace with the mounting current account deficit, especially in light of the improving economic prospects abroad.

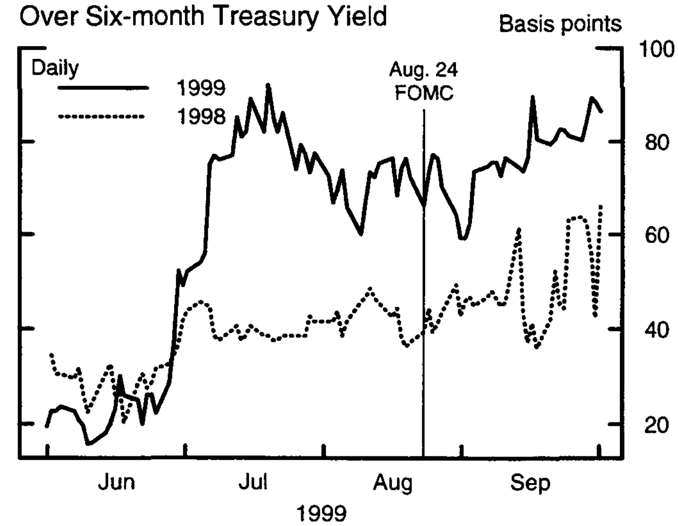
(3) However, some yield spreads that had widened in July and August have narrowed over the period, retracing a portion of their runup since early June (chart). Swap spreads and spreads on a number of other instruments, including asset-backed securities and agencies, moved down when an anticipated heavy volume of debt issuance did not materialize and when investors and dealers apparently became more willing to take positions, increasing market liquidity. Reportedly, borrowers still plan to minimize security issuance around year-end, but are now less bent on wrapping up financing many weeks or months in advance. The more relaxed approach may owe to diminished uncertainty about future interest rate movements in the wake of both the August 24 policy announcement and the Federal Reserve Bank of New York's announcement on September 8 that the FOMC

Chart 2

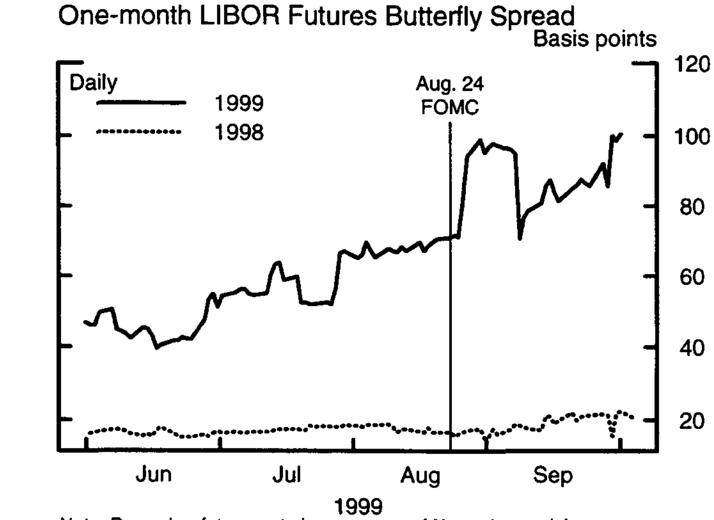
Ten-year Swap Spread and Eurodollar Implied Volatility



Spread of Six-month Eurodollar Deposit Rate Over Six-month Treasury Yield

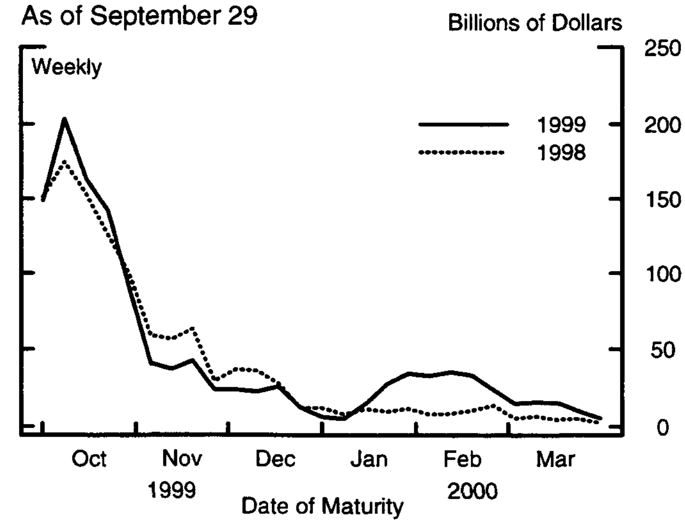


One-month LIBOR Futures Butterfly Spread

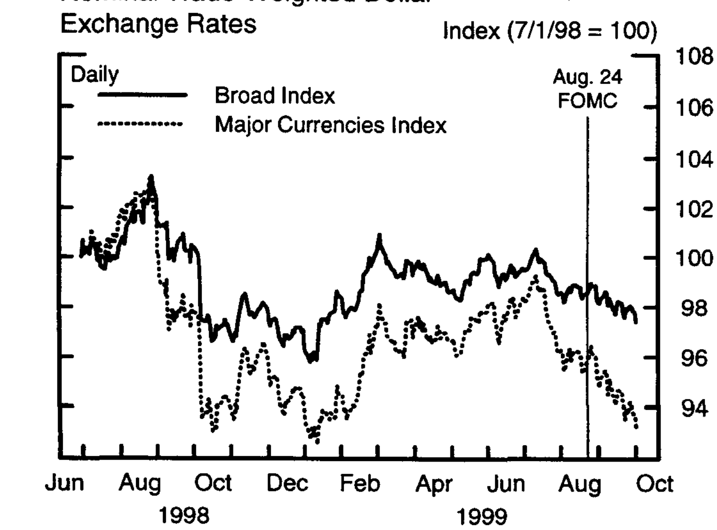


Note. December futures rate less average of November and January futures rates (based on mid-month to mid-month deposit rates).

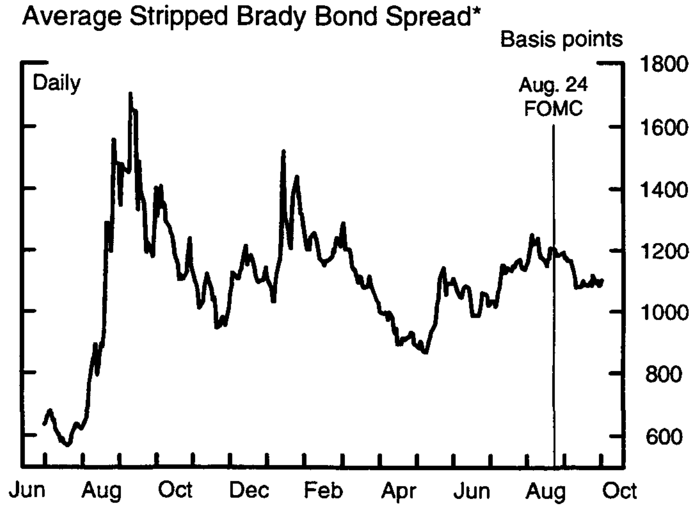
Maturities of Outstanding Commercial Paper, As of September 29



Nominal Trade-Weighted Dollar Exchange Rates



Average Stripped Brady Bond Spread*



*J.P. Morgan Emerging Market Bond Index, an average of stripped Brady bond yield spreads over Treasuries for ten emerging market countries.

had approved several actions intended to promote the smooth functioning of money markets around year-end.[3] Butterfly interest-rate spreads on one-month bank deposits spanning the year-end narrowed immediately following the Reserve Bank's announcement but subsequently reversed those declines, and are now higher than they were at the time of the August meeting. The step-up in rates on three-month Eurodollar deposits as their maturities extended into the new year implies, if the year-end pressures are assumed to be concentrated in just the three-day rollover weekend, that borrowers in this market are now paying about an 18 percentage point premium over a 5-1/4 percent federal funds rate around the century date change.

(4) Since the August 24 FOMC meeting, the foreign exchange value of the dollar has declined 1 percent on balance against a broad index of currencies, depreciating 2-3/4 percent against the major currencies, but appreciating 1 percent against those of other important trading partners. Incoming data on spending and production in industrial economies generally ran to the strong side of market expectations. The growing conviction that economic recovery has gained a foothold in Japan put upward pressure on the yen,

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[3] The actions included a temporary expansion of collateral accepted by the Desk in repurchase transactions, a permanent extension of the maximum maturity of repurchase transactions entered into by the Desk to 90 from 60 days, and a temporary Standby Financing Facility under which the Desk would auction options on repurchase transactions. In addition to the Desk's announcement, year-end concerns likely have been allayed by numerous statements by government and private officials conveying optimism about the readiness of the financial and other key sectors of the economy.

Another System initiative to deal with potential Y2K problems, the Special Liquidity Facility, which the Board approved and announced on July 20, came into effect on October 1.

which Japanese authorities tried to stem with two rounds of intervention in September. The actions, aggregating to $9.4 billion, seemed to have little lasting effect on the tide of a rising value of the yen. Concerns about the longer-term consequences of a strong yen on the economy eventually came to weigh on Japanese equity prices and intensified pressures on the Bank of Japan to take unusual easing measures, such as not sterilizing foreign exchange intervention or adopting a quantitative goal for reserve growth. To date, the Bank of Japan has not changed operations, but long-term rates fell in Japan as market participants seemed to push expectations of eventual policy tightening further into the future. Nonetheless, the dollar's value fell 6 percent against the yen. In Europe, signs of stronger growth in spending prompted talk of policy tightening by the European Central Bank and was associated with increases in bond yields of around 40 basis points over the intermeeting period. On net, the dollar depreciated 1-1/2 percent against the euro. Catching market participants unawares, the Bank of England tightened policy, hiking its repurchase rate 1/4 percentage point, to 5-1/4 percent, citing, among other factors, concerns about the implications of rising property prices; over the intermeeting period, longer-term U.K. interest rates rose about 60 basis points, share prices lost 9 percent, and the pound appreciated 3 percent against the dollar. There was no intervention by U.S. monetary authorities over the intermeeting period

(5) M2 expanded at a 5-1/2 percent rate in August and appears to be growing at about that same pace in September, faster in both months than anticipated at the time of the August FOMC. The additional expansion likely reflects stronger-than-expected income

growth and, as suggested by smaller inflows into equity mutual funds, a less attractive equity market. Currency growth remained around the rapid pace seen earlier in the year, perhaps reflecting in part continuing robust gains in consumer spending but also possibly some hoarding in anticipation of Y2K.[4] M3 in August grew at only a 5 percent rate despite a surge in bank credit growth that month, but is estimated to have advanced at a 6-1/4 percent pace in September. Banks had shifted their funding toward nonmonetary liabilities in August, but in September returned to strong large time deposit issuance.

(6) The growth of nonfinancial debt continued to run at around a 6 percent rate in recent months. In the corporate sector, debt growth remained robust, although down from earlier in the year. Less attractive conditions in capital markets, especially for lower-rated issuers, encouraged borrowers to shift toward banks. The high level of interest rates compared with earlier in the year has halted advance refunding by tax-exempt issuers and cash-out residential mortgage refinancing by households. Households continued to borrow heavily, however, to finance strong home purchases and sizable increases in consumer durables. Federal debt appears to have contracted again in the third quarter; the Treasury is only just beginning the added borrowing it will need to carry through on its announced intentions to build its cash balance to an unusually high level at the end of the year for Y2K contingencies.

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[4] Depository institutions appear to be taking precautionary steps to be able to meet potential currency demands. Vault cash is estimated to have increased by nearly $4 billion this September compared to an increase of less than $1 billion in September 1998.

MONEY, CREDIT, AND RESERVE AGGREGATES

(Seasonally adjusted annual percentage rates of growth)

	Jul.	Aug.	Sep.	1998:Q4 to Sep.[2]
Money and Credit Aggregates				
M1	-1.7	2.9	-9.5	0.7
Adjusted for sweeps	3.9	6.9	-5.6	4.6
M2	5.4	5.5	5.6	6.0
M3	4.8	4.9	6.2	6.1
Domestic nonfinancial debt	5.7	6.8	n.a.	6.5
Federal	1.5	1.0	n.a.	-1.7
Nonfederal	6.9	8.5	n.a.	9.0
Bank credit	-0.7	9.8	6.4	2.3
Adjusted[1]	1.0	9.5	5.0	3.6
Reserve Measures				
Nonborrowed reserves	-29.6	1.6	5.1	-7.0
Total reserves	-24.9	2.6	4.2	-6.4
Adjusted for sweeps	-4.0	10.2	5.2	3.8
Monetary base	8.0	7.0	9.7	9.3
Adjusted for sweeps	8.8	7.8	9.5	9.9
Memo: (millions of dollars)				
Adjustment plus seasonal borrowing	309	344	316	--
Excess reserves	1076	1128	1099	--

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.

1. Adjusted to remove the effects of mark-to-market accounting rules (FIN 39 and FASB 115).
2. For nonfinancial debt and its components, 1998:Q4 to August.

Policy Alternatives

(6) Stronger-than-expected incoming data on spending, together with a weaker path for the exchange value of the dollar than projected in the August Greenbook, have induced the staff to raise its projection of economic activity going forward. The unemployment rate is expected to decline to 4 percent by next year, a little lower than in the last Greenbook. In light of tighter labor markets and heightened inflation pressures, the staff now assumes that the FOMC will raise the federal funds rate 1/2 percentage point to 5-3/4 percent by the end of next year, 1/4 percentage point higher than in the previous staff forecast. Against this policy background, long-term interest rates are expected to hold around their current levels before drifting higher beginning late next year, while stock prices move sideways throughout. In the Greenbook baseline projection, these financial conditions combine to damp the expansion of domestic final demand enough to slow economic growth to a little below that of its potential in 2000 and 2001. Even with the unemployment rate drifting up slightly by the end of 2001, the still taut labor market, together with rising non-oil import prices, generates a noticeable pickup in core CPI inflation, to 2-3/4 percent next year and 3 percent in 2001.

(7) While the Committee is likely to view an inflation outcome like that in the staff forecast as unacceptable, it still may choose to keep the stance of policy unchanged, as in **alternative B**. The staff outlook for inflation may strike the Committee as plausible but surrounded by an unusually large element of uncertainty, which may be reduced by the accumulation of additional evidence with the passage of time. On the demand side of the

economy, the changes in financial conditions this year have been substantial and have not yet had much time to work themselves through to spending. On the supply side, the risks may be considered to be tilted toward lower inflation than in the staff forecast: Four-quarter increases in core inflation, productivity, and unit labor costs have remained favorable to date, highlighting the possibility that a further strengthening of the secular growth in labor productivity may continue to repress inflationary pressures for some time longer. In addition, the Committee may judge that faster productivity growth actually has represented a more significant influence damping inflation relative to various one-time factors, such as falling oil or non-oil import prices, than the staff has estimated. If so, the reversal of those factors that is now in train might put less upward pressure on broad price movements than in the staff forecast. Moreover, recent declines in stock prices and rising risk spreads on some corporate bonds seem to have reflected a heightened investor edginess; in these circumstances, the Committee may be more inclined to keep policy on hold so as not to add to market unease through an unexpected policy tightening.

(8) An unchanged intended federal funds rate, as under alternative B, along with retention of a symmetric directive, would foster the sense that the Committee probably will not act over the remainder of this year, especially given Y2K-related uncertainties.[5] With market prices now incorporating some odds on a tightening in the fourth quarter, this

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[5] Under the Committee's current disclosure policy, the combination of no policy action and the retention of a symmetric directive would not be accompanied by an explicit announcement. Even so, the markets would immediately infer from the absence of an announcement that the Committee had adopted a directive that called for no change in policy and no tilt looking forward.

Committee decision could spark a modest rally in financial markets. The choice of alternative B with a tilt toward tightening, which would be announced immediately, would tend to increase the perceived chances of a near-term firming, causing interest rates to back up slightly and markets to become more sensitive to incoming data and to statements by policymakers. In any event, banks and other lenders are likely to remain cautious suppliers of funds to private borrowers as the year-end approaches, especially short-term credit whose repayment could be viewed as potentially impaired for a little while by disruptions in markets or the particular problems of individual counterparties. Year-end premiums in money markets typically jump early in the fourth quarter, but in some years they have declined subsequently as borrowers satisfied their needs. Spread movements, of course, are subject to greater uncertainty with the century date change. This year borrowers seem to be securing financing somewhat earlier than the norm, which may help to relieve some pressures, though not by enough to prevent spreads from remaining quite elevated.

(9) The Committee instead could favor a 1/4 percentage point firming in the intended federal funds rate to 5-1/2 percent, as in **alternative C**. A rationale for this policy tightening would be that the inflation uptrend embodied in the staff forecast is both likely and unacceptable and warrants a faster and more aggressive policy response than is assumed in that forecast. Indeed, the persistent strength of domestic final demand in the face of elevated long-term rates and flat stock prices since the spring, the currently low inventory-sales ratios, and the strengthening of activity abroad might be seen as pointing to risks that are skewed toward an unemployment rate appreciably below 4 percent in the near future

and a greater intensification of inflation pressures. Although the markets are not fully prepared for such an action and an outsized price reaction cannot be ruled out, the Committee might be willing to accept even a sharp reduction in bond and stock prices as an aspect of the process of containing inflation. The Committee might see action at this meeting as especially desirable if it views potential financial disruptions as increasingly militating against tightening policy between now and early next year and if it also sees that interval as a period of time when firmer policy is going to be needed to prevent inflation pressures from cumulating.

(10) The 1/4 percentage point hike in the target federal funds rate at this FOMC meeting would be enough of a surprise to financial markets to induce an appreciable reaction. The ratcheting up of short-term interest rates would approach the magnitude of the policy move. An immediate selloff in bond and stock markets can be anticipated as market participants revise up their expected federal funds rates next year and beyond, reflecting a strengthening of their assessments of the Federal Reserve's anti-inflation resolve, as well as of impending inflation pressures in light of the Federal Reserve's evident concern. The resultant increases in interest rates could strengthen the exchange value of the dollar, although any worsening of the markets' outlook for U.S. inflation and declines in our stock prices would mute that effect. The largely unexpected policy tightening might widen credit and liquidity spreads in financial markets. The extent of all these market reactions would of course depend on the Committee's choice of the direction of the tilt and of the content of the immediate announcement of the change of policy stance.

(11) The expansion of the debt of domestic nonfinancial sectors through the end of this year is expected to run at around a 5 percent rate, somewhat below the growth of nominal spending. Nonetheless, for the year, growth of this aggregate would be 6-1/4 percent, in the upper half of its 3 to 7 percent annual range. Among nonfederal sectors, only business borrowing is likely to be much affected in the months around year-end by Y2K-related distortions. In reaction to somewhat illiquid market conditions and efforts to complete financing plans early, issuance of corporate bonds and commercial paper and the overall pace of business borrowing should slow over the fourth quarter. Early next year, the rebound in business borrowing should be held down by a projected runoff in precautionary inventories. Household borrowing likely will remain robust over the next two quarters owing to still-strong housing activity and solid advances in spending on consumer durable goods. However, debt repayment by the federal government will accelerate in the first quarter as the enlarged cash balance drops back, limiting the overall expansion of the debt of nonfinancial sectors to only around 4-1/2 percent over the first three months of the year.

(12) The staff anticipates that both broad monetary aggregates will grow 6-1/2 percent this year, which would place M2 and M3 above the upper bounds of their annual ranges of 5 percent and 6 percent, respectively. This growth would imply a fall in velocity of about 1-1/4 percent. Both aggregates are likely to accelerate to a 9 percent rate of growth from September to December, with nearly a third of this growth reflecting projected Y2K effects. These effects occur as the public shifts some of its wealth from outside the broad aggregates into highly liquid forms, including currency, deposits, and money funds, and as

banks finance a bulge in lending. After the turn of the year, the advance of the broad aggregates is predicted to be depressed for a few months as these temporary effects are reversed.

Directive Language

(13) Presented below for the members' consideration is the operational paragraph for the intermeeting period.

OPERATIONAL PARAGRAPH

To promote the Committee's long-run objectives of price stability and sustainable economic growth, the Committee in the immediate future seeks conditions in reserve markets consistent with MAINTAINING/increasing/DECREASING the federal funds rate to an average of around ___ ~~5-1/4~~ percent. In view of the evidence currently available, the Committee believes that prospective developments are equally likely to warrant an increase or a decrease [MORE LIKELY TO WARRANT AN INCREASE/A DECREASE THAN A DECREASE /AN INCREASE] in the federal funds rate operating objective during the intermeeting period.

Alternative Growth Rates for Key Monetary and Credit Aggregates

		M2		M3		Debt
		Alt. B	Alt. C	Alt. B	Alt. C	All Alternatives
Monthly Growth Rates						
1999 Jul		5.4	5.4	4.8	4.8	5.7
Aug		5.5	5.5	4.9	4.9	6.8
Sep		5.6	5.6	6.2	6.2	5.7
Oct		6.7	6.4	6.5	6.4	4.2
Nov		8.2	7.5	8.0	7.6	5.3
Dec		12.3	11.5	12.0	11.6	4.9
2000 Jan		4.0	3.3	4.8	4.5	3.9
Feb		3.0	2.5	4.9	4.7	4.1
Mar		5.1	4.7	5.0	4.8	4.9
Quarterly Averages						
1999 Q1		7.2	7.2	7.6	7.6	6.5
1999 Q2		5.6	5.6	5.4	5.4	6.8
1999 Q3		5.1	5.1	5.2	5.2	5.9
1999 Q4		7.3	7.0	7.3	7.1	5.2
2000 Q1		6.2	5.6	6.8	6.5	4.5
Growth Rate						
From	To					
Sep-99	Dec-99	9.1	8.5	8.9	8.6	4.8
Dec-99	Mar-2000	4.0	3.5	4.9	4.7	4.3
Sep-99	Mar-2000	6.6	6.0	7.0	6.7	4.6
1998 Q4	Sep-99	6.0	6.0	6.1	6.1	6.5
1997 Q4	1998 Q4	8.5	8.5	10.9	10.9	6.7
1998 Q4	1999 Q3	6.1	6.1	6.1	6.1	6.5
1998 Q4	1999 Q4	6.5	6.4	6.5	6.5	6.2
1999 Q4	Mar-2000	5.8	5.2	6.4	6.1	4.5
1999 Annual Ranges:		1.0 to 5.0		2.0 to 6.0		3.0 to 7.0

Chart 3

Actual and Projected M2

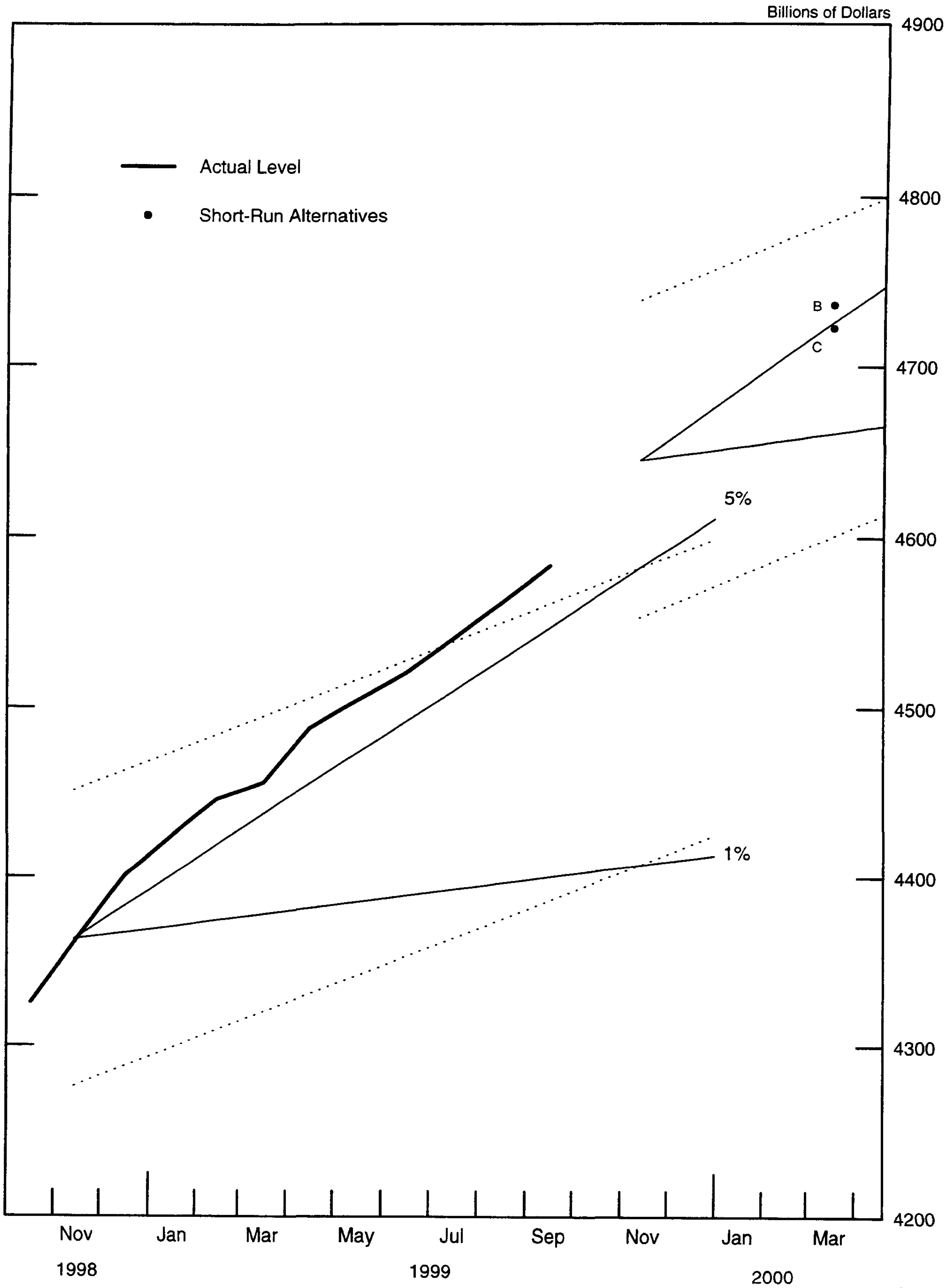


Chart 4

Actual and Projected M3

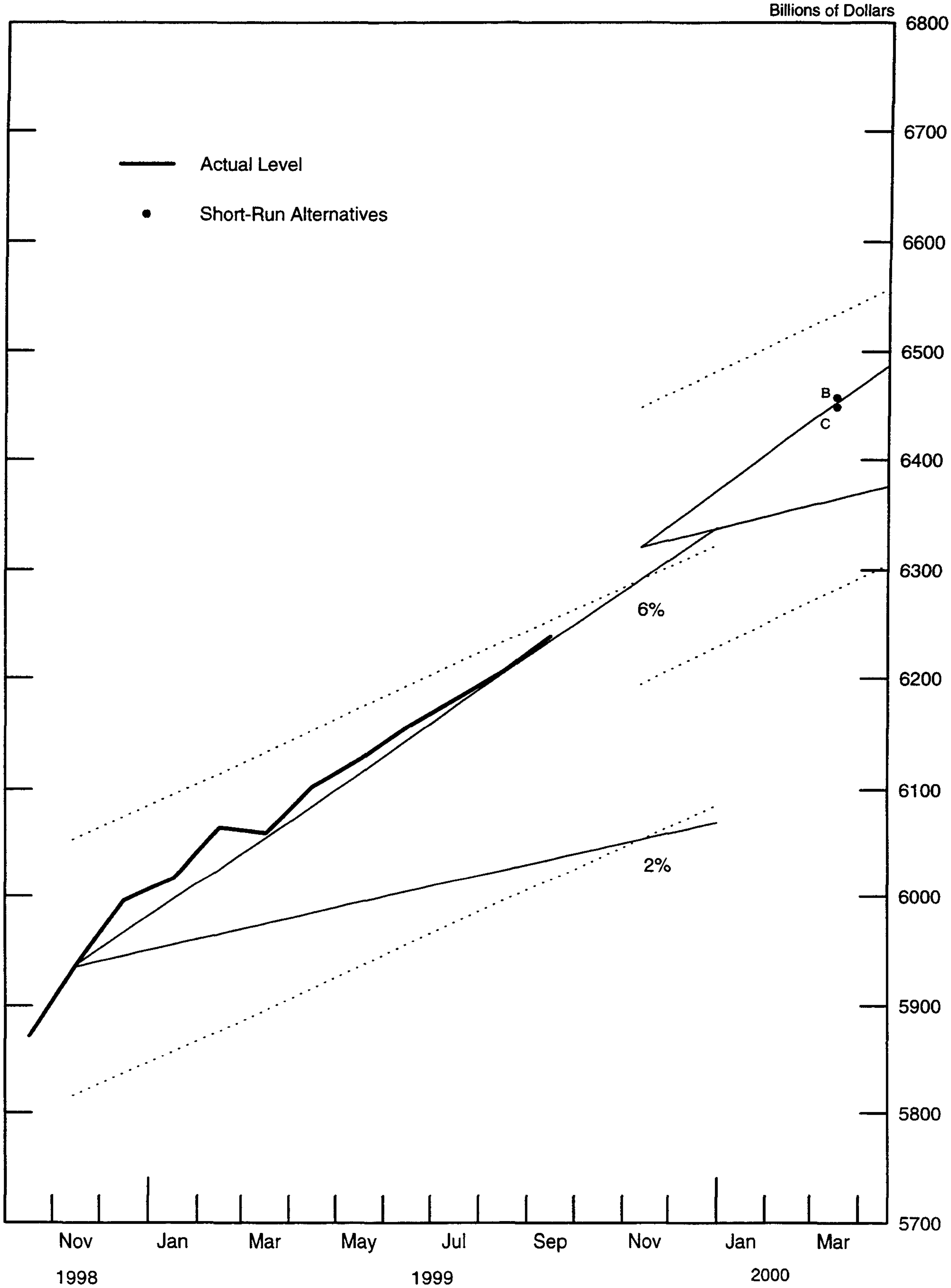
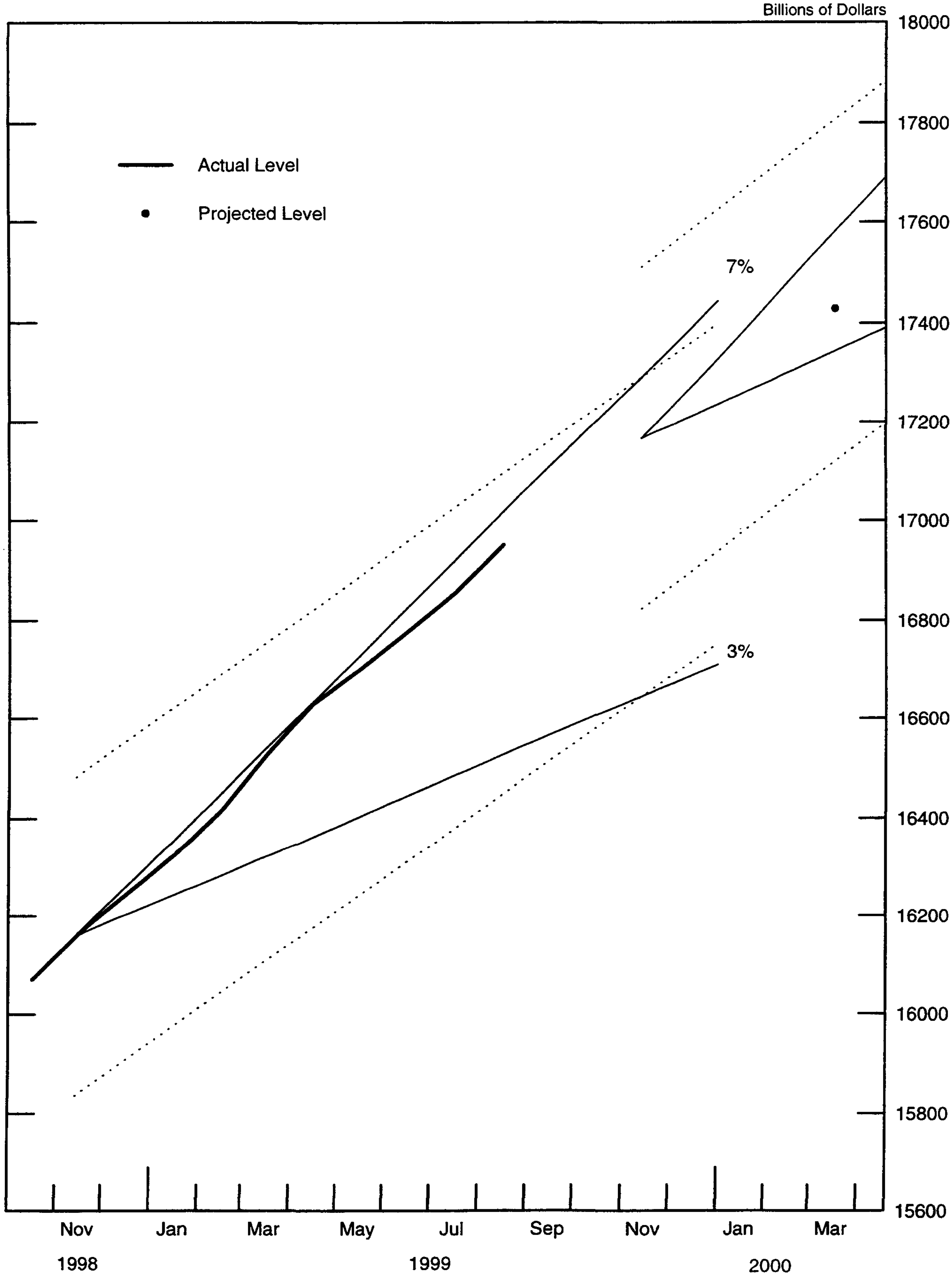


Chart 5

Actual and Projected Debt



SELECTED INTEREST RATES
(percent)

October 4, 1999

	Short-term						Long-term									
	Federal funds	Treasury bills secondary market			CDs secondary market	Comm. paper	U.S. government constant maturity yields				Indexed yields		Moody's Baa	Municipal Bond Buyer	Conventional home mortgages primary market	
		3-month	6-month	1-year	3-month	1-month	3-year	5-year	10-year	30-year	5-year	10-year			Fixed-rate	ARM
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
98 -- High	5.87	5.24	5.24	5.23	5.74	5.71	5.70	5.72	5.75	6.05	3.93	3.82	7.42	5.52	7.22	5.71
-- Low	4.56	3.84	3.94	3.84	5.13	4.84	4.15	4.17	4.41	4.88	3.44	3.55	7.01	5.09	6.49	5.35
99 -- High	5.32	4.82	4.97	5.00	5.79	5.29	5.87	5.97	6.08	6.19	3.98	4.07	8.27	5.96	8.15	6.24
-- Low	4.42	4.20	4.30	4.29	4.86	4.76	4.58	4.56	4.67	5.12	3.61	3.76	7.24	5.17	6.74	5.56
Monthly																
Oct 98	5.07	3.96	4.05	3.95	5.21	5.14	4.18	4.18	4.53	5.01	3.53	3.63	7.18	5.19	6.71	5.38
Nov 98	4.83	4.41	4.42	4.33	5.24	5.00	4.57	4.54	4.83	5.25	3.75	3.77	7.34	5.27	6.87	5.53
Dec 98	4.68	4.39	4.40	4.32	5.14	5.24	4.48	4.45	4.65	5.06	3.75	3.80	7.23	5.23	6.72	5.55
Jan 99	4.63	4.34	4.33	4.31	4.89	4.80	4.61	4.60	4.72	5.16	3.73	3.81	7.29	5.23	6.79	5.60
Feb 99	4.76	4.44	4.44	4.48	4.90	4.80	4.90	4.91	5.00	5.37	3.70	3.79	7.39	5.27	6.81	5.65
Mar 99	4.81	4.44	4.47	4.53	4.91	4.82	5.11	5.14	5.23	5.58	3.84	3.90	7.53	5.31	7.04	5.77
Apr 99	4.74	4.29	4.37	4.45	4.88	4.79	5.03	5.08	5.18	5.55	3.72	3.90	7.48	5.29	6.92	5.60
May 99	4.74	4.50	4.56	4.60	4.92	4.79	5.33	5.44	5.54	5.81	3.65	3.85	7.72	5.37	7.15	5.72
Jun 99	4.76	4.57	4.82	4.82	5.13	4.95	5.70	5.81	5.90	6.04	3.78	3.94	8.02	5.53	7.55	5.91
Jul 99	4.99	4.55	4.58	4.75	5.24	5.06	5.62	5.68	5.79	5.98	3.94	4.01	7.95	5.61	7.63	5.99
Aug 99	5.07	4.72	4.87	4.91	5.41	5.18	5.77	5.84	5.94	6.07	3.96	4.03	8.15	5.81	7.94	6.18
Sep 99	5.22	4.68	4.88	4.96	5.50	5.28	5.75	5.80	5.92	6.07	3.89	4.05	8.20	5.92	7.82	6.20
Weekly																
Jul 30 99	5.02	4.59	4.61	4.80	5.27	5.07	5.65	5.75	5.86	6.05	3.96	4.02	8.04	5.65	7.70	5.99
Aug 6 99	5.02	4.65	4.78	4.85	5.35	5.11	5.73	5.86	5.95	6.12	3.98	4.02	8.13	5.71	7.89	6.09
Aug 13 99	4.99	4.72	4.90	4.94	5.41	5.14	5.87	5.97	6.08	6.19	3.97	4.03	8.27	5.84	8.15	6.24
Aug 20 99	5.00	4.65	4.88	4.91	5.43	5.18	5.75	5.81	5.91	6.03	3.95	4.02	8.14	5.86	7.93	6.18
Aug 27 99	5.11	4.81	4.89	4.91	5.42	5.23	5.69	5.71	5.81	5.93	3.93	4.02	8.06	5.83	7.80	6.22
Sep 3 99	5.31	4.82	4.97	5.00	5.45	5.28	5.80	5.86	5.97	6.08	3.93	4.04	8.21	5.89	7.83	6.18
Sep 10 99	5.17	4.67	4.93	4.99	5.45	5.28	5.78	5.82	5.94	6.07	3.90	4.04	8.20	5.90	7.88	6.21
Sep 17 99	5.23	4.61	4.89	4.97	5.45	5.28	5.76	5.80	5.92	6.08	3.87	4.04	8.18	5.92	7.82	6.22
Sep 24 99	5.18	4.65	4.85	4.95	5.45	5.29	5.71	5.77	5.88	6.06	3.89	4.06	8.19	5.93	7.76	6.19
Oct 1 99	5.32	4.71	4.79	4.94	5.79	5.29	5.73	5.81	5.92	6.09	3.87	4.07	--	5.96	7.70	6.12
Daily																
Sep 15 99	5.41	4.62	4.87	4.97	5.44	5.28	5.79	5.81	5.94	6.11	3.87	4.04	8.19	--	--	--
Sep 16 99	5.23	4.57	4.84	4.95	5.46	5.30	5.70	5.77	5.90	6.08	3.86	4.04	8.16	--	--	--
Sep 17 99	5.11	4.54	4.87	4.96	5.45	5.28	5.74	5.76	5.87	6.05	3.87	4.05	8.15	--	--	--
Sep 20 99	5.20	4.56	4.88	4.99	5.44	5.29	5.75	5.81	5.91	6.08	3.88	4.06	8.19	--	--	--
Sep 21 99	5.12	4.66	4.86	4.97	5.46	5.29	5.76	5.83	5.94	6.10	3.89	4.07	8.21	--	--	--
Sep 22 99	5.21	4.69	4.87	4.97	5.46	5.28	5.74	5.81	5.92	6.10	3.89	4.07	8.20	--	--	--
Sep 23 99	5.29	4.69	4.85	4.94	5.45	5.29	5.70	5.76	5.87	6.05	3.90	4.07	8.20	--	--	--
Sep 24 99	5.23	4.65	4.80	4.87	5.43	5.29	5.60	5.65	5.75	5.95	3.87	4.05	8.16	--	--	--
Sep 27 99	5.35	4.68	4.81	4.91	5.44	5.29	5.67	5.73	5.83	6.02	3.88	4.07	8.21	--	--	--
Sep 28 99	5.32	4.71	4.77	4.91	5.45	5.29	5.70	5.78	5.89	6.07	3.87	4.08	8.24	--	--	--
Sep 29 99	5.26	4.69	4.78	4.97	6.02	5.29	5.75	5.86	5.97	6.13	3.87	4.07	8.28	--	--	--
Sep 30 99	5.51	4.74	4.79	4.93	6.02	5.30	5.70	5.78	5.90	6.06	3.86	4.07	8.20	--	--	--
Oct 1 99	5.35 p	4.74	4.81	5.00	6.02	--	5.83	5.90	6.00	6.15	3.86	4.06	--	--	--	--

NOTE: Weekly data for columns 1 through 13 are week-ending averages. As of September 1997, data in column 6 are interpolated from data on certain commercial paper trades settled by the Depository Trust Company; prior to that, they reflect an average of offering rates placed by several leading dealers. Column 14 is the Bond Buyer revenue index, which is a 1-day quote for Thursday. 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

October 4, 1999

Money and Debt Aggregates

Seasonally adjusted

Period	Money stock measures					Domestic nonfinancial debt		
	M1	M2	nontransactions components: In M2	nontransactions components: In M3 only	M3	U. S. government[1]	other[1]	total[1]
	1	2	3	4	5	6	7	8
Annual growth rates(%):								
Annually (Q4 to Q4)								
1996	-4.5	4.6	8.6	15.3	6.8	3.8	6.0	5.4
1997	-1.2	5.7	8.5	19.3	8.8	0.8	6.7	5.2
1998	1.8	8.5	10.9	18.1	10.9	-1.1	9.3	6.7
Quarterly(average)								
1998-Q4	5.0	11.0	13.0	18.4	12.9	-2.8	9.2	6.3
1999-Q1	2.8	7.2	8.7	8.6	7.6	-3.1	9.4	6.5
Q2	3.5	5.6	6.3	4.7	5.4	-2.3	9.5	6.8
Q3 pe	-2¼	5	7½	5½	5¼			
Monthly								
1998-Sep.	2.8	12.3	15.6	15.7	13.2	-2.7	8.3	5.7
Oct.	6.4	11.6	13.3	16.3	12.8	-3.8	9.5	6.4
Nov.	9.6	10.7	11.1	20.6	13.3	-2.6	10.0	7.0
Dec.	4.8	10.2	11.9	16.8	11.9	-2.6	8.6	6.0
1999-Jan.	-2.6	6.5	9.6	-2.1	4.2	-2.6	8.7	6.1
Feb.	1.8	5.6	6.8	20.5	9.5	-6.1	10.0	6.3
Mar.	10.3	2.7	0.2	-11.5	-1.1	0.1	10.8	8.3
Apr.	7.0	8.8	9.4	7.9	8.5	-1.7	10.2	7.5
May	-4.0	4.5	7.3	6.1	4.9	-5.1	8.0	5.1
June	-3.9	4.2	6.8	9.5	5.6	0.3	6.8	5.4
July	-1.7	5.4	7.6	3.2	4.8	1.5	6.9	5.7
Aug.	2.9	5.5	6.3	3.3	4.9			
Sep. pe	-9	6	10	8	6			
Levels ($billions):								
Monthly								
1999-Apr.	1108.4	4488.2	3379.8	1614.2	6102.4	3718.6	12912.3	16630.9
May	1104.7	4505.1	3400.4	1622.4	6127.5	3702.8	12998.9	16701.6
June	1101.1	4520.8	3419.8	1635.3	6156.1	3703.6	13072.8	16776.4
July	1099.5	4541.0	3441.5	1639.7	6180.7	3708.1	13148.3	16856.4
Aug.	1102.2	4561.9	3459.6	1644.2	6206.1			
Weekly								
1999-Aug. 2	1109.3	4559.5	3450.1	1631.8	6191.3			
9	1102.6	4551.2	3448.6	1642.3	6193.5			
16	1101.3	4556.3	3455.1	1644.5	6200.9			
23	1106.4	4572.9	3466.5	1642.7	6215.6			
30	1096.1	4568.1	3472.0	1651.6	6219.7			
Sep. 6	1096.9	4559.3	3462.3	1638.2	6197.5			
13p	1093.0	4570.1	3477.1	1657.2	6227.4			
20p	1095.2	4592.0	3496.8	1655.1	6247.1			

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

October 1, 1999

STRICTLY CONFIDENTIAL (FR)
CLASS II-FOMC

NET CHANGES IN SYSTEM HOLDINGS OF SECURITES[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]: within 1 year	Treasury coupons: Net purchases[3]: 1-5	Treasury coupons: Net purchases[3]: 5-10	Treasury coupons: Net purchases[3]: over 10	Treasury coupons: Redemptions (-)	Treasury coupons: Net Change	Federal agencies redemptions (-)	Net change outright holdings total[4]	Net RPs[5]
1996	9,901	---	9,901	524	3,898	1,116	1,655	2,015	5,179	409	14,670	-7,849
1997	9,147	---	9,147	5,549	20,080	3,449	5,897	1,996	32,979	1,540	40,586	-5,202
1998	3,550	2,000	1,550	6,297	12,901	2,294	4,884	2,676	23,699	322	24,902	-11,981
1998 ---Q1	---	2,000	-2,000	1,501	2,262	283	743	478	4,311	60	2,251	-12,184
---Q2	3,550	---	3,550	1,369	2,993	495	---	286	4,571	99	8,022	-13,549
---Q3	---	---	---	2,024	4,524	654	1,769	1,311	7,659	98	7,536	-10,034
---Q4	---	---	---	1,403	3,122	862	2,372	602	7,158	65	7,093	-9,477
1999 ---Q1	---	---	---	3,163	5,180	681	3,019	492	11,551	27	11,524	-8,004
---Q2	---	---	---	3,978	8,751	2,594	3,152	726	17,749	52	17,697	-10,271
1998 September	---	---	---	1,038	3,989	351	---	---	5,377	48	5,329	-9,868
October	---	---	---	741	725	---	1,674	602	2,539	15	2,524	-12,553
November	---	---	---	662	2,397	862	698	---	4,619	20	4,599	-11,659
December	---	---	---	---	---	---	---	---	---	30	-30	-6,096
1999 January	---	---	---	---	---	---	615	492	123	2	121	-7,799
February	---	---	---	2,103	2,752	335	---	---	5,190	---	5,190	-10,380
March	---	---	---	1,060	2,428	346	2,404	---	6,238	25	6,213	-7,243
April	---	---	---	1,677	3,362	945	262	726	5,520	---	5,520	-8,603
May	---	---	---	1,421	4,442	1,584	2,890	---	10,337	---	10,337	-10,368
June	---	---	---	880	948	65	---	---	1,893	52	1,841	-12,644
July	---	---	---	951	---	---	---	41	910	10	900	-11,355
August	---	---	---	429	1,272	447	1,075	---	3,223	11	3,212	-10,868
Weekly												
June 16	---	---	---	---	948	65	---	---	1,013	48	965	-12,317
23	---	---	---	---	---	---	---	---	---	---	---	-16,247
30	---	---	---	---	---	---	---	---	---	4	-4	-9,090
July 7	---	---	---	---	---	---	---	---	---	---	---	-10,473
14	---	---	---	951	---	---	---	---	951	5	946	-10,087
21	---	---	---	---	---	---	---	41	-41	---	-41	-13,670
28	---	---	---	---	---	---	---	---	---	5	-5	-11,338
August 4	---	---	---	---	---	---	---	---	---	---	---	-11,437
11	---	---	---	---	---	---	---	---	---	---	---	-10,603
18	---	---	---	429	448	---	---	---	877	---	877	-9,846
25	---	---	---	---	824	447	1,075	---	2,346	11	2,335	-11,366
September 1	---	---	---	---	---	---	---	---	---	---	---	-10,163
8	---	---	---	---	---	---	---	---	---	---	---	-5,213
15	---	---	---	---	---	960	---	---	960	---	960	-1,812
22	---	---	---	---	---	---	---	---	---	---	---	1,529
29	---	---	---	---	---	---	---	---	---	---	---	-7
Memo: LEVEL (bil. \$)[6]												
September 29			215.7	55.7	121.2	50.2	64.8		291.9		507.8	4.8

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
September 29	0.1	0.0	0.1	0.0	0.2