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

[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.)
Class I -- FOMC

March 17, 2000

MONETARY POLICY ALTERNATIVES

Recent Developments

(1) Over the intermeeting period, private nominal interest rates and the foreign exchange value of the dollar showed small mixed changes on balance, but most major equity price indexes moved appreciably higher. The announcement of the Committee's decision to raise the intended level of the federal funds rate 1/4 percentage point, to 5.75 percent, and of its view that the risks are weighted toward heightened inflation pressures was widely anticipated and had little impact on market yields.[1] Market rates subsequently moved up in response to generally strong incoming economic data and to the Chairman's Humphrey-Hawkins testimony. Since then, however, rates on private intermediate-maturity instruments have more than rolled back those increases. Perhaps taking their cue from the testimony, market participants seemed particularly sensitive to the gyrations of equity prices, and many of the declines in market yields occurred on days of substantial setbacks in the Dow Jones Industrial Average. The drop in money market futures rates over the intermeeting period would seem to suggest that those setbacks, along with subdued readings on inflation, prompted reductions in expectations of Federal Reserve policy tightening. Still, those futures rates continue to indicate that market participants see a 1/4 percentage point tightening at

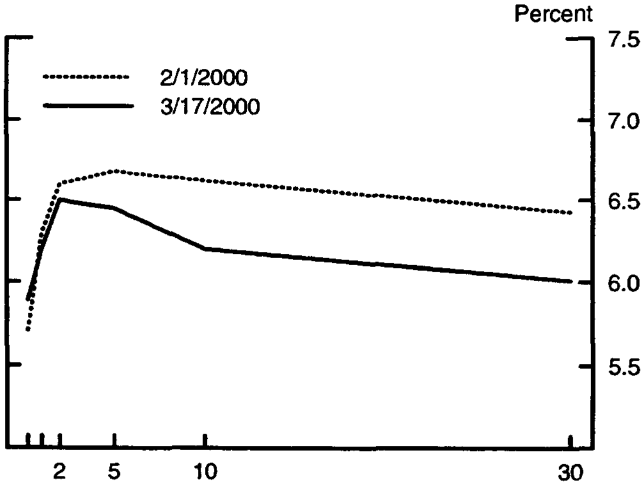
1. The federal funds rate averaged 5.74 percent over the intermeeting period. In its open market operations over this period, the Desk employed long-term RPs in lieu of coupon passes in order to avoid exacerbating liquidity strains in the Treasury market. The Desk arranged a $9 billion ninety-day transaction and a $6 billion sixty-day transaction. Treasury securities collateralized $4 billion of this borrowing, while agency securities and mortgage-backed securities accounted equally for the remainder.

this meeting as virtually certain, and two more moves of this size by September almost as assured. However, participants appear to have reduced the odds of a move to a 6-3/4 percent federal funds rate by year-end. Underlying rate pressures also may have been reduced somewhat by continued signs of improvement on the fiscal front. Even so, rates on longer maturity and lower quality corporate bonds were up a bit over the intermeeting period, while mortgage rates were unchanged. By contrast, thirty-year Treasury yields have fallen over 40 basis points on net, in part reflecting the sharp response of market participants to comments by the Treasury that were interpreted as implying substantial reductions in bond supply going forward (chart 1). In equity markets, the Wilshire 5000 has risen 6-1/2 percent on balance over the intermeeting period, but narrower segments have registered unusually diverse movements: In volatile markets, the Nasdaq moved up another 18 percent, while the DJIA declined 4 percent.

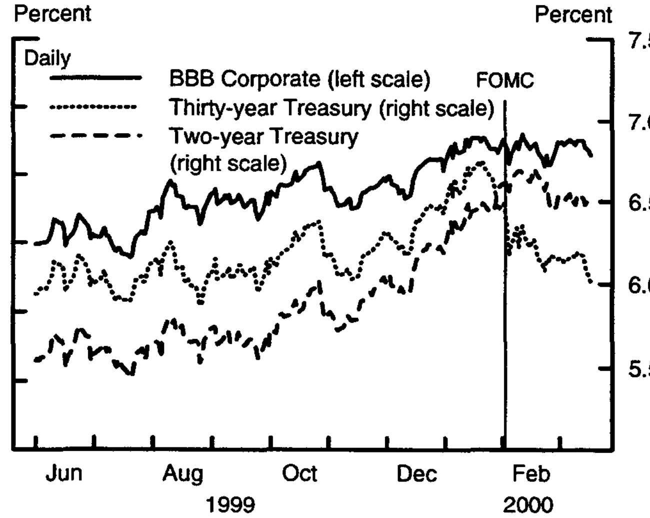
(2) The foreign exchange value of the dollar is little changed over the intermeeting period against a basket of major currencies and a touch weaker against the currencies of other important trading partners. Monetary authorities in most other industrial countries raised interest rates about in line with the Federal Reserve. Still, the dollar has gained almost 1/2 percent against the euro, 1-3/4 percent against the Canadian dollar, 2-3/4 percent against the British pound, and 4 percent relative to the Australian dollar, as investors apparently revised down their expectations of the extent of monetary tightening in many of these countries. Consistent with these revisions to expectations, longer-term yields on government bonds have fallen 20 to 45 basis points. The evidence on

Chart 1
Interest and Exchange Rates

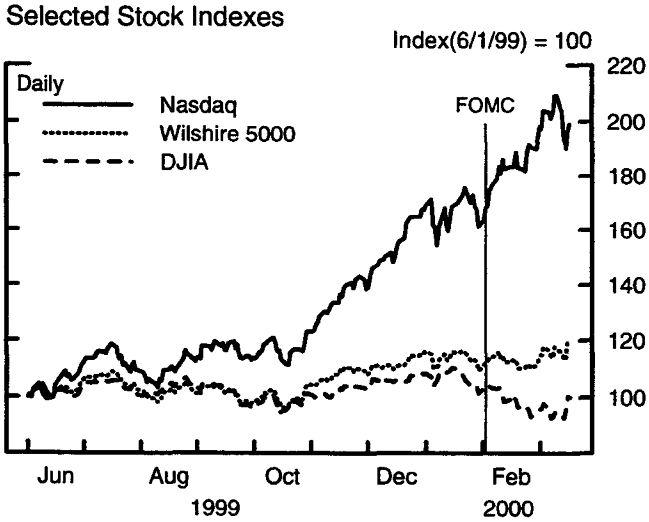
Selected Treasury Yield Curves



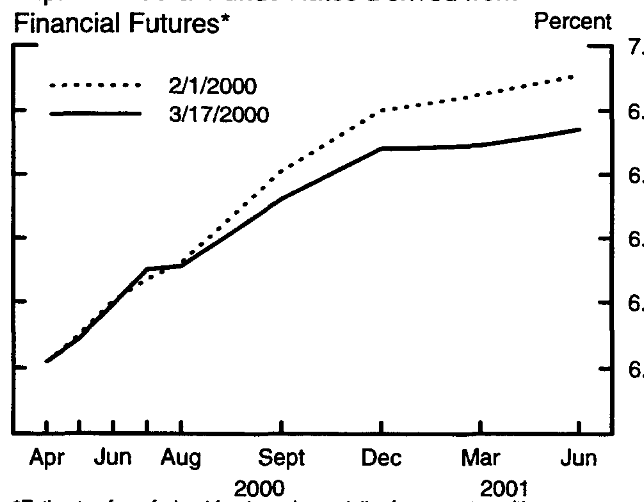
Selected Long-Term Interest Rates



Selected Stock Indexes

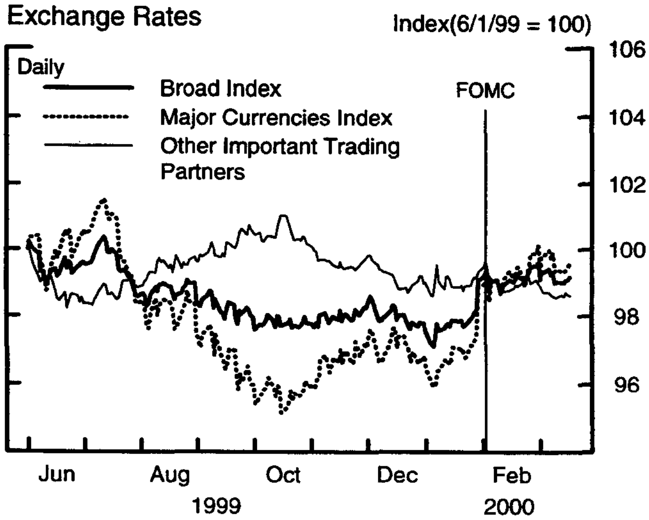


Implied Federal Funds Rates Derived from Financial Futures*

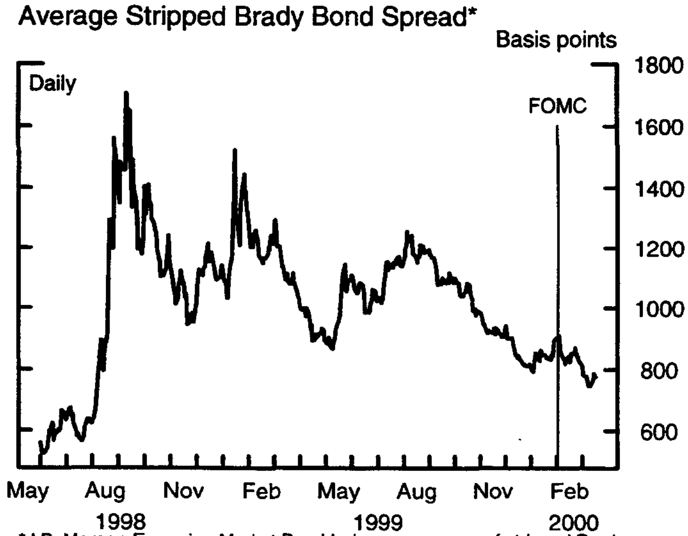


*Estimates from federal funds and eurodollar futures rates with an allowance for term premia and other adjustments.

Nominal Trade-Weighted Dollar Exchange Rates



Average Stripped Brady Bond Spread*



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

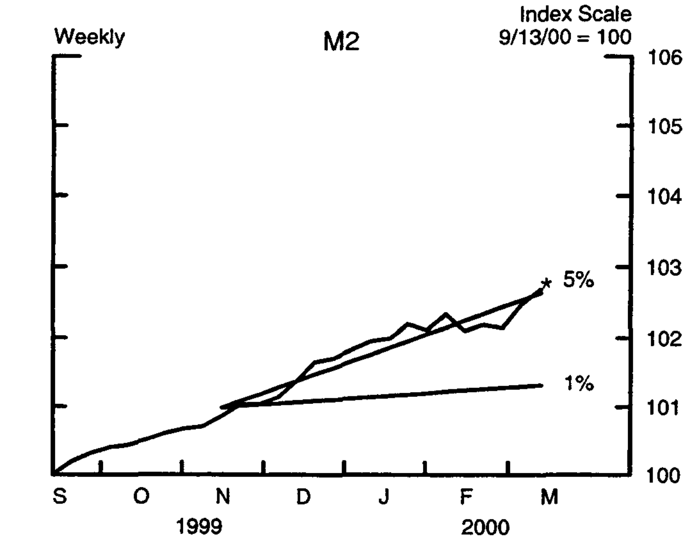
MFMA:ECA

the Japanese economy released over the intermeeting period was mixed and suggests, on balance, that recovery has yet to gain a firm foothold in that country. Longer-term yields in Japan drifted higher, equity prices stalled, and the yen appreciated about 1-1/2 percent against the dollar. The strength of the yen prompted Japanese authorities to intervene, purchasing dollars on two occasions and euros once, but those actions left no lasting imprint on market prices. A brightening of prospects in Latin America--highlighted by Moody's upgrade of Mexican foreign debt to investment grade--lent support to the currencies of emerging markets. The dollar depreciated more than 2-3/4 percent against the Mexican peso and 3-1/4 percent vis-a-vis the Brazilian *real*, and sovereign bond risk spreads narrowed considerably further. Indeed, most Brady bond spreads have retreated to near levels last seen around the time of Russia's default in August 1998. U.S. monetary authorities did not intervene over the intermeeting period.

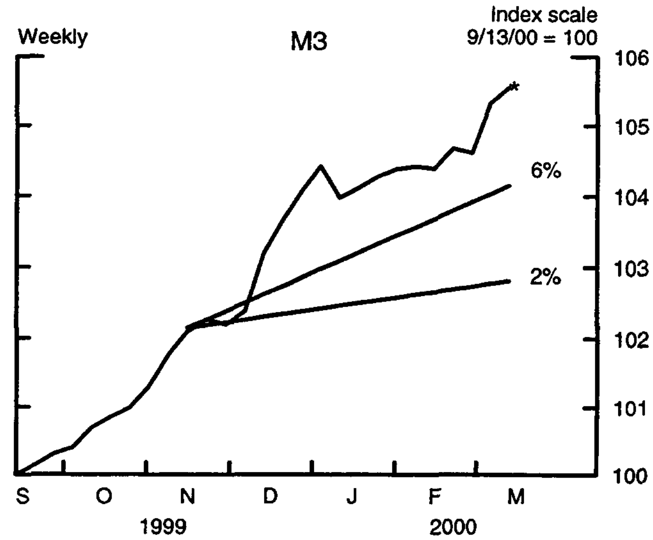
(3) Growth of the monetary aggregates decelerated in February, owing in part to an unwinding of Y2K effects and the greater attractiveness of yields on credit market instruments as a consequence of recent policy firmings (chart 2).[2] In addition, surging prices of technology-related equities may have encouraged shifts out of M2 into long-term mutual

2. The monetary base declined at a 38 percent annual rate in February as Y2K-related holdings of currency retreated. By early March, the late 1999 run-up in the base associated with the century date change had been reversed. From September 1999 through March 2000, which largely abstracts from Y2K effects, the base is expected to grow at an annualized rate of 7-1/2 percent, in line with sweep-adjusted growth in recent years.

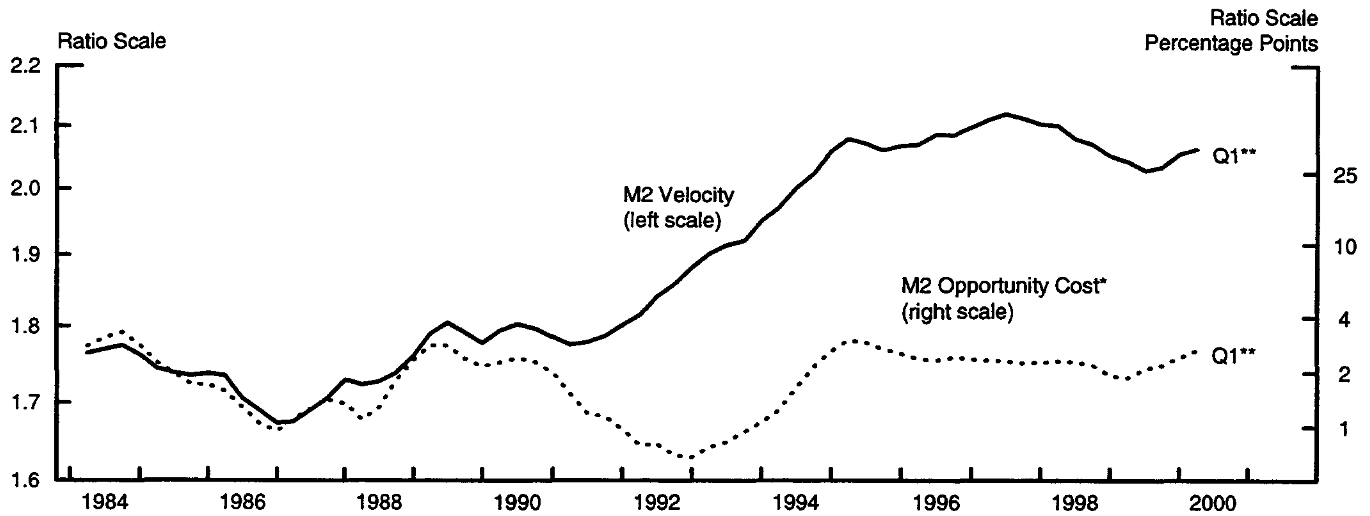
Chart 2
Money and Bank Credit



* preliminary data for 3/13/00

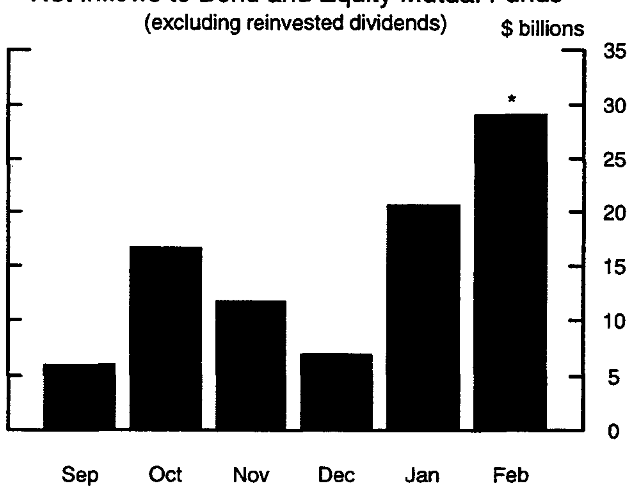


* preliminary data for 3/13/00



* Two-quarter moving average. ** estimated

Net Inflows to Bond and Equity Mutual Funds
(excluding reinvested dividends)



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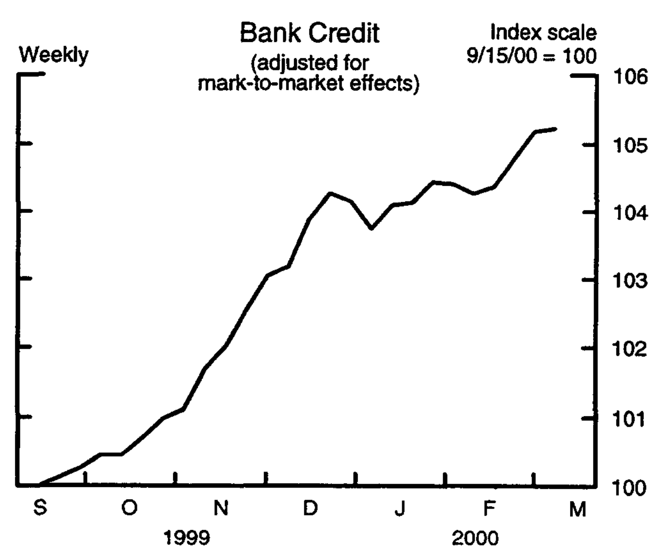

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funds.[3] M2 growth, at an annual rate of only 2-1/4 percent in February, was slower than projected at the time of the Committee's last meeting. In contrast, growth of M3, at a 4-1/4 percent rate, was a good bit faster than forecast at that time. With private credit demands quite brisk, bank credit growth was stronger than forecast and was largely funded by stepped up issuance of liabilities in M3. Moreover, contrary to expectations, U.S. branches and agencies of foreign banks failed to unwind the shift to U.S. funding evident in advance of the century date change.

(4) Growth of nonfinancial debt appears to have been slowed in the early months of the year by a resumption of large federal debt paydowns following the sharp build-up of Treasury balances prior to year-end. State and local borrowing also has been restrained, as high interest rates have cooled advance refunding activity, and borrowing for new capital has moderated, for now at least, apparently in response to strong tax inflows. Growth of private debt, by contrast, appears to have remained brisk of late and has kept the expansion of total nonfinancial debt in the upper end of its range. Increases in consumer loans and residential mortgage debt have stayed particularly strong, financing a robust pace of household expenditures and a still-elevated level of home purchases. Strong corporate funding needs have been met in both equity and debt markets. Indeed, gross equity issuance has been heavy enough of late to offset retirements through mergers and buyback programs for the first time in several years.

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3. Net inflows to long-term mutual funds picked up appreciably in January and February, particularly at equity funds emphasizing capital appreciation.

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

	Dec.	Jan.	Feb.	1999:Q4 to Feb.[2]
Money and Credit Aggregates				
M1	15.6	-3.1	-17.0	-2.3
Adjusted for sweeps	14.1	-1.7	-9.3	0.4
M2	7.3	5.9	2.2	4.9
M3	16.8	8.1	4.2	9.5
Domestic nonfinancial debt	6.8	6.0	n.a.	6.1
Federal	0.8	-4.4	n.a.	-3.2
Nonfederal	8.4	8.8	n.a.	8.6
Bank credit	20.0	1.8	5.5	8.8
Adjusted[1]	19.5	3.9	5.0	9.3
Reserve Measures				
Nonborrowed reserves	7.0	45.8	-39.1	4.3
Total reserves	9.4	47.0	-46.2	2.6
Adjusted for sweeps	9.3	26.2	-18.4	5.4
Monetary base	44.2	1.3	-38.1	-0.1
Adjusted for sweeps	42.1	1.4	-35.1	0.4
Memo: (millions of dollars)				
Adjustment plus seasonal plus SLF borrowing	320	374	108	--
Excess reserves	1311	2025	1121	--

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, 1999:Q4 to January.

Policy Alternatives

(5) The staff has responded to indications of stronger-than-expected consumption and investment demand as well as faster productivity growth by boosting its projection of economic expansion for the first half of this year. However, with policy assumed to firm a bit more this year than in the January Greenbook, and private long-term rates rising to a somewhat higher level than foreseen in January, growth over the rest of the forecast period is projected to be a touch lower. As a consequence, resource utilization in the forecast is little changed from January, with the unemployment rate staying around 4 percent this year and edging up in 2001. A higher path for oil prices leads to an appreciable upward revision in total consumer inflation projected this year, but only to a small mark up of core consumer inflation over the two years. Core measures are still seen to be on an upward track, owing to the effects of the tight labor market and the recent rebound in energy and import prices, and they would seem poised to move higher in 2002. Compared with the central tendency of Committee members' forecasts last month, the staff sees appreciably faster growth of real GDP in 2000, though with the same unemployment rate at year-end as the Committee, and a bigger pickup in overall PCE inflation, with the latter presumably mostly reflecting higher oil prices.

(6) While the recent increases in oil prices do not leave much of a lasting imprint on the staff outlook, should those prices persist near current levels--rather than decline substantially as in the staff forecast--their possible effects would presumably become more important in monetary policy deliberations. Sustained higher energy prices would tend to

boost inflation, not only through their direct near-term contribution to overall price indexes but also through secondary ripple effects on core price indexes over time. However, the rise in oil prices also would tend to damp aggregate demand as higher expenditures on imported energy cut into domestic spending and foreign oil exporters recycle only part of their additional receipts from the United States as purchases of U.S.-produced goods and services. Consequently, in the context of Taylor-type monetary policy responses that give weight to deviations of both output and inflation from long-term levels, the direction of the effect on the desired real federal funds rate depends on the relative sizes of the changes in the two gaps. In FRB/US simulations, the core inflation rate rises by more in percentage point terms than the output gap declines if the path of real interest rates is kept unchanged.[4] Under the standard specification of the Taylor rule, this outcome would call for an increase in the real federal funds rate. However, the size of the effects on inflation and output from even a sustained higher level of oil prices are small, in part because oil now has a relatively modest weight in the economy. Thus, the path of the real funds rate may not need to be much different from the one the Committee would otherwise have followed. There are substantial risks on either side of this result, however. On the one hand, real rates would need to be

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4. In the staff model, however, an exception to this outcome occurs if longer-term inflation expectations are essentially unaffected by the rise in oil prices, perhaps because they are anchored by the credibility of the central bank's inflation objective. In that case, the rise in the output gap is sufficient eventually to restrain inflation at unchanged real interest rates. These results are also sensitive to the specification of foreign monetary policy responses to higher oil prices. In the simulations underlying this discussion, foreign monetary authorities follow a Taylor rule and the rise in real interest rates abroad puts downward pressure on the dollar, cushioning the decline in U.S. output and increasing the pressure on domestic inflation.

lowered if the surge in oil prices persists and erodes consumer and business confidence and equity values, thereby exerting a more substantial negative effect on output than in the simulations. On the other hand, higher real rates would be indicated should elevated oil prices trigger a more appreciable rise in inflation expectations than in the simulations--a possibility that might be thought more likely given that prices and unit labor costs already come under pressure from tight labor markets in the staff forecast. Even if higher energy prices do not add appreciably to long-term inflation expectations, short-term expectations could well be increased by the higher realized overall inflation. If they are, holding the real funds rate along a given path would require a higher nominal federal funds rate than otherwise. Indeed, this was an important reason for the upward adjustment in the federal funds rate path assumed in the Greenbook.

(7) The Committee may agree that the risks to the inflation outlook are on the upside, but still wish to stand pat on policy for the time being, as in **alternative B**. Such a choice could allow it to better judge whether more near-term tightening is needed or whether the restraining effects on aggregate demand of previous tightening actions will prove to be sufficient to bring growth in aggregate demand into reasonable balance with that of potential supply. Indeed, the amount of slowing required in the growth of output may not be large if more of the extraordinary growth of productivity over the last few quarters persists than has been allowed for in the staff forecast--the very rapid growth of activity since mid-year produced only small declines in the unemployment rate and in the pool of available labor. Even if the growth of aggregate demand fails to come into balance with that of potential

supply quickly enough to avoid some intensification of strains on resources, the costs of waiting in terms of faster price increases still might be minimal if structural productivity continues to accelerate over the next couple of years. The acceleration of structural productivity would hold down unit labor costs and, with profits running high, competition would continue to contain business "pricing power." Thus, inflation would remain damped for some time even with a constant nominal federal funds rate, although, to be sure, a higher real funds rate would ultimately be required to align market interest rates with improved returns on capital investments and greater wealth-induced consumption. In effect, the Committee would be allowing the economy to realize the gains from the extra productivity growth mainly in temporarily higher output rather than lower inflation.

(8) Keeping the federal funds rate unchanged at 5-3/4 percent would come as a considerable surprise to financial markets, in that both incoming data and the statements of the Federal Reserve have reinforced market participants' previous expectation that the Committee would firm by 1/4 percentage point at this meeting. The resulting rally in bond and stock markets and decline in the exchange rate would likely be tempered by retention of language in the press release pointing to the risk of higher inflation. Although keeping policy unchanged would prompt some confusion about the Committee's intentions and its strategy, it is likely that market participants would see the next tightening action as merely postponed, although they also would tend to trim their expectations of the cumulative amount of tightening in prospect.

(9) Any unwinding of the current degree of restraint in financial markets, which incorporates 25 basis points of tightening at this meeting, might be viewed by the Committee as exacerbating the risk of economic overheating. With little evidence in hand that spending is moderating appreciably, aggregate demand still seems to be expanding more rapidly than even optimistic estimates of the growth of potential aggregate supply. In these circumstances, the Committee's assessment of the inflation risks may be such that it favors an immediate tightening of policy, perhaps by raising the federal funds rate another 1/4 percentage point as in **alternative C**. The Committee might believe it especially important to provide continuing evidence of its vigilance as the effect on inflation of the recent surge in oil prices plays out in coming months. Even if the Committee anticipates that considerably more policy firming will be needed eventually to contain inflation pressures, it may still favor the gradual approach embodied in alternative C in light of the considerable uncertainty about aggregate supply and about the effect of the substantial run-up in short- and long-term interest rates in recent quarters on aggregate demand. Such gradualism also may hold appeal because financial markets have been edgy and are potentially vulnerable to an unexpectedly large policy move.

(10) If the Committee were to choose alternative C, it presumably would also want to convey to market participants that the balance of risks remains tilted toward inflation. Such a combination, because it is widely expected, would tend to have little effect on fixed-income yields and the exchange value of the dollar. Very broad measures of equity prices over the intermeeting period would be expected to fluctuate near recent levels.

Preannouncements and announcements of corporate earnings will pick up steam in the weeks ahead, likely keeping volatility in equity markets elevated, which could possibly feed back on interest rates in a manner similar to recent experience.

(11) The Committee may believe that financial markets have underestimated the full extent of the policy firming required to keep inflation from picking up. **Alternative D** would raise the federal funds rate 50 basis points. Such an action, particularly if accompanied by an announcement conveying the Committee's view that the balance of risks remains tilted toward inflation, would prompt a substantial realignment of financial prices that might be seen by the Committee as more likely to be consistent with a sustainable trajectory of economic activity. Market participants probably would expect more cumulative policy firming, boosting interest rates across the maturity spectrum, especially at the front end of the yield curve. Such prospects for tighter monetary policy and greater restraint on spending should raise credit risk premiums on corporate bonds and weaken equity prices. The argument for a substantial tightening in financial conditions would have particular force if the Committee, like the staff, viewed labor utilization rates as too high to be sustained. Indeed, in the staff forecast, the assumption of even more tightening than currently evident in futures rates is still inadequate to keep core inflation from trending higher. Moreover, a steeper path for the real funds rate might be seen as necessary to counter a risk of a ratcheting up of longer-term inflation expectations owing to the recent surge in oil prices. Even if the Committee only wanted to ensure that it was preserving the upward path for the real federal funds rate that a number of Committee members seemed to have been

contemplating in February, the possible effects of the further jump in oil prices on short-term inflation expectations suggest that something more than a 1/4 percentage point rise in the nominal rate might be needed.

(12) The monetary aggregates are projected to accelerate a little from their growth rates early this year, when they were depressed by the unwinding of Y2K effects. Nonetheless, expansion of the aggregates, particularly M2, should be restrained by the influence of earlier policy tightenings, even under the unchanged federal funds rate of alternative B. Growth rates of M2 in coming months are likely to be erratic, owing to the effects of the shifting timing of tax refunds and the likely surge in payments, but on average this aggregate is projected to expand at a rate of 6-1/4 percent over the February-to-June period under alternative B. With nominal GDP expanding faster than M2, M2 velocity would increase at a 1-3/4 percent pace in both the first and the second quarters. By June, M2 would be 5-1/2 percent at an annual rate above its fourth-quarter 1999 base, somewhat above the upper end of its annual range. Buoyed by rapid bank credit growth, expansion of M3 is projected at an 8 percent rate over the February-to-June period, keeping this aggregate well above the upper end of its annual range. Indeed, by June, M3 would be 8 percent at an annual rate above its fourth-quarter base, compared with the 6 percent upper end of its range.

(13) Meanwhile, domestic nonfinancial debt is projected to expand at a 5 percent annual rate over the January-to-June interval, down from the 6 percent pace around year-end. Paydowns of federal debt are expected to increase, aided by projected large individual

tax receipts in April. Some cooling off in growth of consumer outlays is projected to restrain expansion in household debt, though the advance of such debt will continue to outpace that of disposable personal income. With the financing gap remaining elevated, growth in business debt is expected to persist at a fairly brisk pace even though strong issuance of equity by firms will be acting to hold down business borrowing. Under the conditions embodied in the staff forecast, lenders and investors are likely to be a little more cautious in providing credit but not enough to make much of a dent in spending or borrowing. By June, total domestic nonfinancial debt would stand just above the midpoint of its 3 to 7 percent annual range.

Directive and Balance of Risks Language

(14) Presented below for the members' consideration is draft wording relating to (1) the new abbreviated directive and (2) the "balance of risks" sentence to be included in the press release issued after the meeting (not part of the directive).

(1) Directive Wording

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee in the immediate future seeks conditions in reserve markets consistent with MAINTAINING/increasing/DECREASING the federal funds rate AT/to an average of around ___ ~~5-3/4~~ percent.

(2) "Balance of Risks" Sentence

Against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the Committee believes that the risks are [balanced with respect to prospects for both goals] [weighted mainly toward conditions that may generate heightened inflation pressures] [weighted mainly toward conditions that may generate economic weakness] in the foreseeable future.

Alternative Growth Rates for Key Monetary and Credit Aggregates

	M2			M3			Debt
	Alt. B	Alt. C	Alt. D	Alt. B	Alt. C	Alt. D	All Alternatives
Monthly Growth Rates							
Oct-99	4.2	4.2	4.2	9.2	9.2	9.2	6.4
Nov-99	5.0	5.0	5.0	14.4	14.4	14.4	4.7
Dec-99	7.3	7.3	7.3	16.8	16.8	16.8	6.8
Jan-00	5.9	5.9	5.9	8.1	8.1	8.1	6.0
Feb-00	2.2	2.2	2.2	4.2	4.2	4.2	4.6
Mar-00	7.0	7.0	7.0	10.5	10.5	10.5	7.0
Apr-00	7.4	7.0	6.6	8.1	7.9	7.7	4.9
May-00	2.5	1.7	0.9	3.5	3.1	2.7	4.2
Jun-00	5.9	5.1	4.3	5.4	5.0	4.6	5.3
Quarterly Averages							
1998 Q4	10.7	10.7	10.7	12.5	12.5	12.5	6.3
1999 Q1	7.5	7.5	7.5	8.2	8.2	8.2	6.7
1999 Q2	6.0	6.0	6.0	6.0	6.0	6.0	7.0
1999 Q3	5.2	5.2	5.2	4.9	4.9	4.9	6.1
1999 Q4	5.0	5.0	5.0	9.7	9.7	9.7	6.4
2000 Q1	5.4	5.4	5.4	10.2	10.2	10.2	5.9
2000 Q2	5.5	5.1	4.7	6.9	6.7	6.5	5.3
Growth Rate							
From / To							
Sep-99 Mar-00	5.3	5.3	5.3	10.8	10.8	10.8	6.0
Sep-99 Jun-00	5.4	5.1	4.9	9.2	9.0	8.9	5.7
Dec-99 Jun-00	5.2	4.9	4.5	6.7	6.5	6.4	5.4
Feb-00 Jun-00	6.3	5.8	5.3	8.0	7.7	7.5	6.6
1997 Q4 1998 Q4	8.5	8.5	8.5	10.9	10.9	10.9	6.7
1998 Q4 1999 Q3	6.3	6.3	6.3	6.5	6.5	6.5	6.7
1998 Q4 1999 Q4	6.1	6.1	6.1	7.4	7.4	7.4	6.7
1999 Q4 Jun-2000	5.4	5.1	4.8	8.1	8.0	7.8	5.5
2000 Annual Ranges:	1 to 5			2 to 6			3 to 7

SELECTED INTEREST RATES
(percent)

March 20, 2000

	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	2-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
99 -- High	5.59	5.38	5.56	5.62	6.16	6.33	6.23	6.33	6.41	6.46	4.03	4.33	8.44	6.23	8.15	6.64
-- Low	4.42	4.20	4.30	4.29	4.86	4.76	4.59	4.56	4.67	5.12	3.61	3.76	7.24	5.17	6.74	5.56
00 -- High	5.79	5.71	5.86	5.86	6.13	5.92	6.68	6.76	6.77	6.73	4.09	4.39	8.44	6.35	8.38	6.77
-- Low	5.05	5.26	5.43	5.68	5.93	5.54	6.34	6.46	6.28	6.08	3.85	4.17	8.22	6.16	8.15	6.56
Monthly																
Mar 99	4.81	4.44	4.47	4.53	4.91	4.82	5.05	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	4.98	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	5.25	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	5.62	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	5.55	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	5.68	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	5.66	5.80	5.92	6.07	3.89	4.05	8.20	5.92	7.82	6.20
Oct 99	5.20	4.86	4.98	5.12	6.13	5.28	5.86	6.03	6.11	6.26	3.85	4.12	8.38	6.12	7.85	6.27
Nov 99	5.42	5.07	5.20	5.24	6.00	5.37	5.86	5.97	6.03	6.15	3.87	4.10	8.15	6.10	7.74	6.36
Dec 99	5.30	5.20	5.44	5.51	6.05	5.97	6.10	6.19	6.28	6.35	3.99	4.25	8.19	6.18	7.91	6.53
Jan 00	5.45	5.32	5.50	5.75	5.95	5.59	6.44	6.58	6.66	6.63	4.06	4.36	8.33	6.31	8.21	6.61
Feb 00	5.73	5.55	5.72	5.84	6.01	5.76	6.61	6.68	6.52	6.23	4.05	4.28	8.29	6.29	8.33	6.72
Weekly																
Jan 14 00	5.62	5.26	5.43	5.74	5.96	5.56	6.43	6.56	6.66	6.66	4.05	4.38	8.37	6.29	8.18	6.61
Jan 21 00	5.54	5.31	5.53	5.76	5.95	5.61	6.48	6.65	6.77	6.73	4.09	4.39	8.44	6.35	8.26	6.56
Jan 28 00	5.49	5.41	5.55	5.78	5.94	5.64	6.48	6.63	6.68	6.57	4.06	4.32	8.29	6.34	8.25	6.65
Feb 4 00	5.70	5.50	5.66	5.86	6.01	5.77	6.61	6.66	6.58	6.33	4.07	4.27	8.22	6.31	8.25	6.65
Feb 11 00	5.73	5.49	5.72	5.83	6.01	5.75	6.68	6.76	6.62	6.30	4.09	4.30	8.30	6.29	8.36	6.73
Feb 18 00	5.73	5.55	5.74	5.85	6.00	5.75	6.65	6.74	6.55	6.23	4.07	4.28	8.32	6.27	8.38	6.77
Feb 25 00	5.74	5.62	5.74	5.84	6.02	5.76	6.54	6.59	6.38	6.13	4.01	4.27	8.29	6.27	8.31	6.73
Mar 3 00	5.77	5.62	5.76	5.83	6.04	5.78	6.51	6.58	6.39	6.15	3.97	4.26	8.35	6.26	8.27	6.68
Mar 10 00	5.74	5.67	5.82	5.83	6.07	5.83	6.51	6.60	6.39	6.17	3.93	4.21	8.38	6.20	8.23	6.68
Mar 17 00	5.79	5.71	5.86	5.84	6.13	5.92	6.50	6.50	6.28	6.08	3.85	4.17	--	6.16	8.24	6.68
Daily																
Mar 1 00	5.78	5.60	5.76	5.82	6.04	5.77	6.52	6.59	6.39	6.16	4.00	4.27	8.35	--	--	--
Mar 2 00	5.76	5.60	5.77	5.83	6.05	5.79	6.52	6.59	6.40	6.15	3.94	4.24	8.35	--	--	--
Mar 3 00	5.72	5.63	5.77	5.80	6.06	5.80	6.50	6.60	6.39	6.13	3.93	4.23	8.32	--	--	--
Mar 6 00	5.73	5.66	5.79	5.84	6.05	5.82	6.55	6.64	6.42	6.16	3.94	4.23	8.33	--	--	--
Mar 7 00	5.68	5.67	5.81	5.82	6.07	5.81	6.48	6.60	6.39	6.16	3.92	4.21	8.34	--	--	--
Mar 8 00	5.77	5.67	5.83	5.82	6.06	5.83	6.50	6.59	6.38	6.17	3.94	4.21	8.36	--	--	--
Mar 9 00	5.79	5.66	5.80	5.80	6.08	5.82	6.48	6.56	6.35	6.16	3.92	4.20	8.40	--	--	--
Mar 10 00	5.75	5.70	5.85	5.85	6.10	5.86	6.55	6.61	6.39	6.19	3.93	4.21	8.48	--	--	--
Mar 13 00	5.81	5.71	5.86	5.85	6.11	5.89	6.52	6.57	6.36	6.17	3.88	4.19	8.53	--	--	--
Mar 14 00	5.80	5.71	5.86	5.84	6.11	5.91	6.48	6.52	6.31	6.11	3.85	4.16	8.46	--	--	--
Mar 15 00	5.90	5.69	5.86	5.85	6.14	5.94	6.50	6.50	6.29	6.07	3.85	4.18	8.46	--	--	--
Mar 16 00	5.77	5.70	5.85	5.84	6.14	5.95	6.50	6.47	6.26	6.05	3.85	4.17	8.42	--	--	--
Mar 17 00	5.73 p	5.72	5.87	5.84	6.15	--	6.50	6.45	6.20	6.01	3.85	4.18	--	--	--	--

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

MFMA:IXA

Money and Debt Aggregates

Seasonally adjusted

Period	Money stock measures					Domestic nonfinancial debt		
	M1	M2	nontransactions components		M3	U. S. government[1]	other[1]	total[1]
			In M2	In M3 only				
	1	2	3	4	5	6	7	8
Annual growth rates(%):								
Annually (Q4 to Q4)								
1997	-1.2	5.6	8.4	19.9	8.9	0.8	6.7	5.2
1998	2.2	8.5	10.8	18.3	10.9	-1.1	9.3	6.7
1999	1.8	6.1	7.5	11.1	7.4	-2.5	9.5	6.7
Quarterly(average)								
1999-Q1	1.9	7.5	9.3	10.1	8.2	-3.1	9.6	6.7
Q2	2.2	6.0	7.3	5.9	6.0	-2.3	9.7	7.0
Q3	-1.8	5.2	7.5	4.0	4.9	-0.3	8.0	6.1
Q4	4.8	5.0	5.0	22.8	9.7	-4.4	9.4	6.4
Monthly								
1999-Feb.	-1.9	6.9	9.7	17.9	9.8	-6.1	10.5	6.7
Mar.	7.8	4.2	3.1	-4.4	1.9	0.0	11.0	8.5
Apr.	6.3	7.3	7.5	6.7	7.1	-1.7	10.2	7.5
May	-5.9	6.1	10.0	7.2	6.4	-5.1	8.3	5.3
June	-1.7	4.8	6.9	9.6	6.0	0.3	7.1	5.6
July	-0.7	5.7	7.8	1.3	4.6	1.4	7.0	5.8
Aug.	-1.0	4.5	6.3	0.3	3.4	1.0	8.6	6.9
Sep.	-2.9	5.0	7.5	5.1	5.0	-4.2	10.5	7.3
Oct.	5.6	4.2	3.8	22.9	9.2	-5.8	9.8	6.4
Nov.	9.0	4.9	3.7	39.9	14.4	-7.7	8.1	4.7
Dec.	15.6	7.3	4.6	41.9	16.8	0.8	8.4	6.8
2000-Jan.	-3.1	5.9	8.8	13.7	8.1	-4.4	8.8	6.0
Feb. p	-17.0	2.2	8.2	9.2	4.2			
Levels ($billions):								
Monthly								
1999-Oct.	1101.1	4605.3	3504.1	1697.3	6302.5	3680.1	13469.7	17149.8
Nov.	1109.4	4624.2	3514.9	1753.8	6378.0	3656.5	13561.0	17217.5
Dec.	1123.8	4652.2	3528.4	1815.1	6467.3	3658.9	13656.0	17314.9
2000-Jan.	1120.9	4675.2	3554.4	1835.8	6511.0	3645.6	13756.1	17401.7
Feb. p	1105.0	4683.7	3578.7	1849.9	6533.6			
Weekly								
2000-Feb. 7	1106.3	4689.6	3583.3	1835.1	6524.7			
14	1101.6	4678.2	3576.6	1844.8	6523.1			
21	1105.4	4682.6	3577.2	1858.3	6540.9			
28p	1106.1	4680.4	3574.3	1856.1	6536.6			
Mar. 6p	1106.9	4695.6	3588.7	1885.7	6581.3			

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

March 17, 2000

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	Net RPs
	Net purchases[2]	Redemptions (-)	Net change	Net purchases				Redemptions (-)	Net Change			
					1-5	5-10	over 10					
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
1999	---	---	---	11,895	19,731	4,303	9,428	1,429	43,928	157	43,771	-1,599
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
---Q3	---	---	---	2,341	1,272	447	1,075	41	5,094	21	5,073	-8,257
---Q4	---	---	---	2,414	4,528	581	2,182	170	9,535	57	9,478	22,883
1999 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
September	---	---	---	960	---	---	---	---	960	---	960	-4,894
October	---	---	---	---	---	---	---	170	-170	50	-220	-30
November	---	---	---	964	1,014	---	925	---	2,903	7	2,896	17,495
December	---	---	---	1,450	3,514	581	1,257	---	6,802	---	6,802	46,578
2000 January	---	---	---	---	160	809	1,069	390	1,648	6	1,642	27,608
February	---	---	---	---	---	---	---	---	---	25	-25	3,118
Weekly												
December 15	---	---	---	---	1,257	581	382	---	2,220	---	2,220	36,513
22	---	---	---	1,450	1,372	---	---	---	2,822	---	2,822	43,994
29	---	---	---	---	885	---	---	---	885	---	885	65,181
January 5	---	---	---	---	---	---	---	---	---	---	---	83,853
12	---	---	---	---	---	---	---	---	---	---	---	34,970
19	---	---	---	---	---	---	---	390	-390	---	-390	18,543
26	---	---	---	---	160	809	---	---	969	6	963	9,226
February 2	---	---	---	---	---	---	1,069	---	1,069	---	1,069	2,850
9	---	---	---	---	---	---	---	---	---	---	---	1,460
16	---	---	---	---	---	---	---	---	---	25	-25	3,500
23	---	---	---	---	---	---	---	---	---	---	---	4,437
March 1	---	---	---	---	---	---	---	---	---	---	---	4,023
8	---	---	---	---	---	---	---	---	---	---	---	3,085
15	---	---	---	---	---	---	---	---	---	---	---	4,176
Memo: LEVEL (bil. $)												
March 15			215.7	60.4	123.9	50.9	67.8		303.0		519.0	11.8

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 (+) and matched sale-purchase transactions (-).