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*C.F. / Central Files*

THE PRESIDENT HAS SEEN *dy.*

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

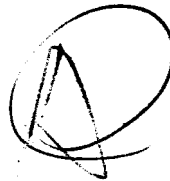
May 12, 1975

*MR 7*

MEMORANDUM FOR THE PRESIDENT

Subject: Weekly Monetary and Financial Conditions

Interest rates increased during April from the low level reached in February and March. Interest rates tend to rise during the recovery state of the business cycle, although the timing of the rise in interest rates has varied. By contrast, interest rates fell substantially in the most recent week, largely in response to fiscal and monetary policy developments. The Treasury announced that the deficit is currently smaller than it was expected to be, thus decreasing Treasury borrowing and lessening the upward pressure on interest rates. The Federal Reserve System announced last week that its recovery growth target for the coming year for  $M_1$  was 5 percent to 7-1/2 percent, a moderate rate that will not support a resurgence of inflation next year. The Fed's announcement may also have played an important role in depressing interest rates because current interest rates fall when inflationary expectations are revised downward. Actual growth in  $M_1$  over the most recent four-week period as compared to the previous four-week period, however, was only 2.7 percent at an annual rate, well below the target range.



Alan Greenspan



Some Details  
(Optional Reading)

Money Growth

Percent Changes of Monetary Aggregates,  
Seasonally Adjusted Annual Rates

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Period	M <sub>1</sub> (currency plus demand deposits)	M <sub>2</sub> (currency plus all commercial bank deposits except large CD's)	Credit (adjusted bank credit proxy)
Past 52 weeks (from average of four weeks ending May 1, 1974 to average of four weeks ending Apr. 30, 1975)	4.0	7.1	8.4
Past 26 weeks (from average of four weeks ending Oct. 30, 1974 to average of four weeks ending Apr. 30, 1975)	4.2	7.8	7.5
Past 13 weeks (from average of four weeks ending Jan. 29, 1975 to average of four weeks ending Apr. 30, 1975)	8.5	10.5	6.3
Past 4 weeks (from average of four weeks ending Apr. 2, 1975 to average of four weeks ending Apr. 30, 1975)	2.7	6.4	2.9

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Interest Rates  
(average of daily figures)

(percent)

Period	U.S. Government 3-month bills	U.S. Government 3-5 year issues	long term bonds	Prime commercial paper 4-6 months	Moody's Aaa bond rate
November	7.59	7.65	6.93	8.81	8.90
December	7.18	7.22	6.78	8.98	8.89
January	6.49	7.29	6.68	7.30	8.83
February	5.58	6.85	6.61	6.33	8.62
March	5.54	7.00	6.73	6.06	8.67
April	5.69	7.76	7.03	6.15	8.95
Week ending:					
April 4	5.56	7.47	6.88	6.03	8.87
April 11	6.02	7.74	7.05	6.23	8.94
April 18	5.54	7.75	7.03	6.20	8.95
April 25	5.65	7.90	7.08	6.13	8.97
May 2	5.72	7.87	7.09	6.15	9.01
May 9 <sup>P</sup>	5.36	7.64	6.98	6.06	8.97