

Inc., Raymondville, Texas, and thereby indirectly acquire Bank of Texas, Raymondville, Texas.

E. Federal Reserve Bank of San Francisco (Pat Marshall, Manager of Analytical Support, Consumer Regulation Group) 101 Market Street, San Francisco, California 94105-1579:

1. *South Valley Bancorp, Inc.*, Klamath Falls, Oregon; to become a bank holding company by acquiring 80 percent of the voting shares of South Valley Bank & Trust, Klamath Falls, Oregon.

Board of Governors of the Federal Reserve System, December 24, 1997.

Jennifer J. Johnson,

Deputy Secretary of the Board.

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FEDERAL RESERVE SYSTEM

Notice of Proposals to Engage in Permissible Nonbanking Activities or to Acquire Companies that are Engaged in Permissible Nonbanking Activities

The companies listed in this notice have given notice under section 4 of the Bank Holding Company Act (12 U.S.C. 1843) (BHC Act) and Regulation Y, (12 CFR Part 225) to engage *de novo*, or to acquire or control voting securities or assets of a company that engages either directly or through a subsidiary or other company, in a nonbanking activity that is listed in § 225.28 of Regulation Y (12 CFR 225.28) or that the Board has determined by Order to be closely related to banking and permissible for bank holding companies. Unless otherwise noted, these activities will be conducted throughout the United States.

Each notice is available for inspection at the Federal Reserve Bank indicated. The notice also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the question whether the proposal complies with the standards of section 4 of the BHC Act.

Unless otherwise noted, comments regarding the applications must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than January 13, 1998.

A. Federal Reserve Bank of New York (Betsy Buttrill White, Senior Vice President) 33 Liberty Street, New York, New York 10045-0001:

1. *HUBCO, Inc.*, Mahwah, New Jersey; to acquire Poughkeepsie Financial Corp., Poughkeepsie, New York, and thereby indirectly acquire Bank of the Hudson, Poughkeepsie, New York, and

thereby engage in operating a federal chartered savings bank, pursuant to § 225.28(b)(4)(ii) of the Board's Regulation Y.

2. *Swiss Bank Corporation*, Basle Switzerland; to acquire Brunswick Warburg, Inc., New York, New York, and thereby engage in financial and investment advisory activities, pursuant to § 225.28(b)(6) of the Board's Regulation Y, and securities brokerage activities, riskless principal activities, private placement services and other transactional services, pursuant to § 225.28(b)(7) of the Board's Regulation Y.

Board of Governors of the Federal Reserve System, December 24, 1997.

Jennifer J. Johnson,

Deputy Secretary of the Board.

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FEDERAL RESERVE SYSTEM

Federal Open Market Committee; Domestic Policy Directive of November 12, 1997

In accordance with § 271.5 of its rules regarding availability of information (12 CFR part 271), there is set forth below the domestic policy directive issued by the Federal Open Market Committee at its meeting held on November 12, 1997.¹ The directive was issued to the Federal Reserve Bank of New York as follows:

The information reviewed at this meeting suggests that economic activity continued to grow rapidly in recent months. In labor markets, hiring has remained robust and the civilian unemployment rate fell to 4.7 percent in October, its low for the current economic expansion. Industrial production increased very rapidly in the third quarter, and appears to have remained strong in October. Retail sales also rose sharply in the third quarter, though at a moderating pace as the summer progressed. Housing starts, while fluctuating from month to month, were little changed on balance in the third quarter. Business fixed investment posted unusually strong increases in the latest quarter, and available indicators point to further sizable gains in coming months. The nominal deficit on U.S. trade in goods and services widened substantially on average in July and

August from its rate in the second quarter. Price inflation has remained subdued despite some increase in the pace of advance in labor compensation.

Short-term interest rates have registered small mixed changes since the day before the Committee meeting on September 30, 1997, while bond yields have fallen somewhat. Share prices in U.S. equity markets have fluctuated widely in turbulent trading activity and are down on balance over the period; equity markets in other countries, notably in Asia have been volatile as well and some have registered very large declines. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies declined somewhat on balance over the intermeeting period. The dollar appreciated significantly, however, in terms of the currencies of a number of Asian and Latin American countries.

Growth of M2 and M3 appears to have moderated further in October from the unusually brisk rates of August. For the year through October, M2 expanded at the upper bound of its range for the year and M3 at a rate substantially above the upper bound of its range. Total domestic nonfinancial debt has expanded in recent months at a pace somewhat below the middle of its range.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at its meeting in July reaffirmed the ranges it had established in February for growth of M2 and M3 of 1 to 5 percent and 2 to 6 percent respectively, measured from the fourth quarter of 1996 to the fourth quarter of 1997. The range for growth of total domestic nonfinancial debt was maintained at 3 to 7 percent for the year. For 1998, the Committee agreed on a tentative basis to set the same ranges as in 1997 for growth of the monetary aggregates and debt, measured from the fourth quarter of 1997 to the fourth quarter of 1998. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks conditions in reserve markets consistent with maintaining the federal funds rate at an average of around 5-1/2 percent. 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

¹ Copies of the Minutes of the Federal Open Market Committee meeting of November 12, 1997, which include the domestic policy directive issued at that meeting, are available upon request to the Board of Governors of the Federal Reserve System, Washington, D.C. 20551. The minutes are published in the Federal Reserve Bulletin and in the Board's annual report.