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SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

January 31, 1969

SUPPLEMENTAL NOTES

The Domestic Financial Situation

Bank credit. Total loans and investments at all commercial banks are estimated to have risen \$1.3 billion in January, at an annual rate of about 4.1 per cent. This increase reflects principally an acceleration in business loan growth, with bank security holdings declining further. On an end-of-month basis, the credit proxy (adjusted to include Euro-dollar borrowing) is estimated to have declined at about a 3.4 per cent annual rate over January. Most of the difference between these two series can be accounted for by the <sup>UN</sup> usually low credit level on December 31 in the total loans and investments series--due to the temporary withdrawal of Euro-dollars--and a large increase in other borrowings in January not reflected in the proxy.

NET CHANGE IN BANK CREDIT  
All Commercial Banks  
(Seasonally adjusted annual rate, in per cent)

	1968			
	July- Aug.	Sept.- Oct.	Nov.- Dec.	Jan. <sup>1/</sup>
Total loans and investments <sup>2/</sup>	24.1	14.9	7.7	4.1
U.S. Government securities	34.8	2.8	-23.4	-11.7
Other securities	15.0	27.5	17.5	1.7
Total loans	19.5	14.4	13.1	8.6
Business loans	12.1	8.5	12.9	24.1
All other loans	24.2	18.0	13.2	-1.2

<sup>1/</sup> All January figures are preliminary estimates based on incomplete data and are subject to revision.

<sup>2/</sup> Last-Wednesday-of-the-month data, except for June and December, which are last-day-of-the-month.

Treasury February refunding. On Wednesday, the Treasury announced the terms of its February refunding. Two issues will be offered in a straight "rights" exchange for the February 15 maturities, \$5.4 billion of which are publicly-held: a 15-month 6-3/8 per cent Note, priced at a discount to yield 6.42 per cent; and a 7-year 6-1/4 per cent Note, also priced at a slight discount to yield 6.29 per cent. Books will be open February 3-5, with payment on the 17th. In the press conference at the time of the announcement, Undersecretary Volker also stated that the Treasury plans to raise \$2-3 billion of new cash between late February and mid-April, part of which could be raised through a Treasury bill "strip" in late February or early March.

The market accorded the Treasury's announcement a very quiet reception. Trading in the new Notes on a "when-issued" basis has not been large and has generally taken place at prices barely 1/32 higher than issue price. Interest in the "rights" for the maturing has also not been exceptional, and only slight price premiums have developed.

KEY INTEREST RATES

	1968-69		1969	
	Low	High	Jan. 9	Jan. 30
<u>Short-Term Rates</u>				
Federal funds (weekly average)	4.56 (1/3)	6.46 (1/22)	6.43 (1/8)	6.27 (1/29)
3-months				
Treasury bills (bid)	4.82 (1/29)	6.29 (12/24)	6.15	6.17
Bankers' acceptances	5.25 (3/7)	6.62 (1/9)	6.62	6.38
Euro-dollars	5.43 (2/2)	7.81 (1/8)	7.56	7.41
Federal agencies	5.00 (2/9)	6.49 (1/9)	6.49	6.41
Finance paper	5.13 (3/7)	6.38 (1/9)	6.38	6.25
CD's (prime NYC)				
Highest quoted new issue	5.25 (2/8)	6.00 (1/30)	6.00	6.00
Secondary market	5.20 (1/31)	6.65 (1/9)	6.65	6.40
6-months				
Treasury bills (bid)	4.98 (1/29)	6.41 (12/24)	6.33	6.27
Bankers' acceptances	5.38 (3/7)	6.75 (1/9)	6.75	6.50
Commercial paper	5.50 (3/7)	6.62 (1/9)	6.62	6.50
Federal agencies	5.25 (2/9)	6.62 (12/26)	6.57	6.54
CD's (prime NYC)				
Highest quoted new issue	5.50 (3/7)	6.25 (1/30)	6.25	6.25
Secondary market	5.45 (1/31)	6.75 (1/9)	6.75	6.50
1-year				
Treasury bills (bid)	5.05 (8/1)	6.47 (12/24)	6.06	6.19
Prime municipals	2.72 (8/8)	4.25 (1/16)	4.00	4.10
<u>Intermediate and Long-Term</u>				
Treasury coupon issues				
5-years	5.42 (1/12)	6.43 (1/7)	6.34	6.27
20-years	5.16 (8/1)	6.12 (12/24)	5.99	6.07
Corporate				
Seasoned Aaa	5.95 (9/5)	6.60 (1/23)	6.58	6.59
Baa	6.77 (10/3)	7.37 (1/2)	7.34	7.26
New Issue Aaa				
With call protection	6.13 (8/29)	6.93 (1/16)	6.90	6.92
Without call protection	6.29 (2/2)	7.14 (12/5)	7.05	--
Municipal				
Bond Buyer Index	4.07 (8/8)	4.91 (1/30)	4.85	4.91
Moody's Aaa	3.80 (8/8)	4.60 (1/30)	4.58	4.60
Mortgage--implicit yield				
in FNMA weekly auction <u>1/</u>	7.12 (5/6)	7.86 (1/27)	7.66 (1/6)	7.86 (1/27)

1/ Yield on 6-month forward commitment after allowance for commitment fee and required FNMA stock purchase. Assumes discount on 30-year loan amortized over 15 years.