

## **Prefatory Note**

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June 25, 2004

# CURRENT ECONOMIC AND FINANCIAL CONDITIONS

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## **Supplemental Notes**

Prepared for the Federal Open Market Committee  
by the staff of the Board of Governors of the Federal Reserve System

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## Supplemental Notes

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### The Domestic Nonfinancial Economy

#### Gross Domestic Product

According to the BEA's final estimate, real GDP increased at an annual rate of 3.9 percent in the first quarter after a rise of 4.1 percent in the fourth quarter of last year. The final estimate was 1/2 percentage point lower than the estimate published in last month's preliminary release. Much of the revision was the result of the incorporation of new and revised data on trade in goods and services that now show a larger drag from net exports than had been reported last month. PCE services also were revised down somewhat reflecting the BEA's inclusion of new source data on explicit banking services.

Real final sales rose at an annual rate of 3.2 percent last quarter after having increased 3.4 percent in the preceding quarter. Among the components of final demand, real PCE moved up at an annual rate of 3.8 percent, as a decline in motor vehicles spending was more than offset by a pickup in spending on other durables, nondurables, and services. Real business fixed investment rose at a rate of 5.3 percent, and residential investment increased at a pace of 4.6 percent; each marked a stepdown from its fourth-quarter pace. Total government consumption and investment rose at an annual rate of 3 percent because of a surge in national defense spending. Net exports shaved about 3/4 percentage point from the change in real GDP last quarter after having been a smaller drag in the fourth quarter. Real private inventories accumulated at an annual rate of \$25.5 billion, following a \$9 billion accrual in the fourth quarter, and boosted the change in real GDP by nearly 3/4 percentage point.

The chain-weighted price index for GDP rose at an annual rate of 2.8 percent in the first quarter. Core PCE prices rose at a rate of 2 percent, 1/4 percentage point more than in the preliminary release. The upward revision reflected incoming data on prices for which market-based source data are not available—mostly the price of imputed banking services. The four-quarter change in core PCE prices was 1.3 percent, compared with a 1.6 percent increase over the year-earlier period.

On the income side of the accounts, real disposable personal income rose 4.9 percent in the first quarter, and the saving rate moved up to 2.2 percent, the same figure as in the preliminary release. The staff estimates that compensation per hour in the nonfarm business sector rose at an annual rate of 4.7 percent last quarter. Finally, economic profits (corporate profits with inventory valuation and capital consumption adjustments) increased \$20.9 billion last quarter, far short of the \$81.4-billion jump in the fourth quarter, but quite close to our expectations. As a share of GNP, profits (excluding Federal Reserve banks) held steady at 10.5 percent.

**Real Gross Domestic Product and Related Items**  
(Percent change from previous period at a compound annual rate;  
based on seasonally adjusted data, chain-type quantity indexes)

| Item   | 2003:Q4 | 2004:Q1     | 2004:Q1 |
|--|---------|-------------|---------|
|  | Final   | Preliminary | Final   |
| Gross Domestic Product                         | 4.1     | 4.4         | 3.9     |
| Final sales                                    | 3.4     | 3.7         | 3.2     |
| Consumer spending                              | 3.2     | 3.9         | 3.8     |
| Durables                                       | .7      | -4.2        | -3.7    |
| Nondurables                                    | 5.4     | 6.6         | 6.9     |
| Services                                       | 2.8     | 4.2         | 3.9     |
| Business fixed investment                      | 10.9    | 5.8         | 5.3     |
| Nonresidential structures                      | -1.4    | -7.0        | -7.4    |
| Equipment and software                         | 14.9    | 9.8         | 9.2     |
| Residential investment                         | 7.9     | 3.8         | 4.6     |
| Federal government                             | .7      | 9.2         | 8.5     |
| State and local government                     | -.5     | -.7         | -.3     |
| Exports of goods and services                  | 20.5    | 4.9         | 7.5     |
| Imports of goods and services                  | 16.4    | 5.9         | 10.4    |
| <i>ADDENDA:</i>                                |         |             |         |
| Inventory investment <sup>1</sup>              | 9.0     | 28.2        | 25.5    |
| Net exports of goods and services <sup>1</sup> | -515.2  | -525.2      | -535.6  |
| Nominal GDP                                    | 5.7     | 7.2         | 6.9     |
| Nominal GDI                                    | 7.2     | 7.5         | 7.5     |
| Statistical discrepancy <sup>2</sup>           | -1.3    | -8.4        | -16.8   |
| GDP price index                                | 1.5     | 2.6         | 2.8     |
| PCE price index                                | 1.0     | 3.0         | 3.2     |
| Excluding food and energy                      | 1.2     | 1.7         | 2.0     |
| Change in economic profits <sup>2</sup>        | 81.4    | 14.4        | 20.9    |
| Profit share, excluding FR banks <sup>3</sup>  | 10.5    | 10.4        | 10.5    |
| Real disposable personal income                | 1.2     | 4.9         | 4.9     |
| Personal saving rate (percent)                 | 1.9     | 2.2         | 2.2     |

1. Level, billions of chained (2000) dollars.

2. Billions of dollars.

3. Economic profits as a share of GNP.

n.a. not available.

**Price Indexes for Gross Domestic Product**  
(Based on seasonally adjusted data, chain-type indexes)

| Item   | 2003:Q4 | 2004:Q1 | 2004:Q1 |
|--|---------|---------|---------|
|  | Final   | Prelim. | Final   |
| Gross domestic product                             | 1.5     | 2.6     | 2.8     |
| Gross domestic purchases                           | 1.3     | 3.3     | 3.5     |
| Personal consumption expenditures                  | 1.0     | 3.0     | 3.2     |
| Food and Beverages                                 | 4.0     | 2.6     | 2.6     |
| Energy   | -9.5    | 27.0    | 26.9    |
| Excluding food and energy                          | 1.2     | 1.7     | 2.0     |
| Business fixed investment                          | 1.8     | 1.0     | 1.0     |
| Equipment and Software                             | 1.0     | -0.2    | -0.3    |
| Computers and peripheral equipment                 | -8.0    | -6.3    | -6.3    |
| Nonresidential structures                          | 4.7     | 5.3     | 5.6     |
| Residential investment                             | 7.5     | 6.2     | 7.1     |
| Government consumption expenditures and investment | 0.7     | 5.1     | 5.2     |
| Exports of goods and services                      | 2.6     | 5.6     | 5.7     |
| Imports of goods and services                      | 0.9     | 9.6     | 9.5     |
| Nonpetroleum goods                                 | 0.8     | 5.6     | 5.6     |
| <i>ADDENDA:</i>                                    |         |         |         |
| GDP less food and energy                           | 1.4     | 2.2     | 2.4     |
| Gross domestic purchases less food and energy      | 1.5     | 2.3     | 2.6     |

NOTE: Percent change from previous period at compound annual rates

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### **Consumer Sentiment**

According to the final report, the Michigan Survey Research Center's (SRC) index of consumer sentiment jumped in June to 95.6, more than reversing its decline in the previous month. The implicit level in the second half of the month was 96.2, a moderate increase over the first half reading of 95.2.

For the month as a whole, both the "current conditions" component and the "expected conditions" component of the overall index strengthened. Within the "current conditions" component, assessments of buying conditions for large household appliances improved despite recent increases in interest rates. In contrast, consumers' assessments of their current personal financial situation fell a touch relative to last month. Within the "expected conditions" component, consumers' assessments of their expected financial condition in the next twelve months moved up, and assessments of business conditions over both the next twelve months and five years rebounded sharply from their May lows.

Among those items not included in the overall index, consumers' expectations about the change in unemployment over the next twelve months improved considerably in June. Consumers' appraisals of buying conditions for cars and houses were roughly unchanged.

Compared with May, the June reading on median expected inflation over the next twelve months was unchanged at 3.3 percent while the median of expected inflation over the next five to ten years edged up a bit to 2.9 percent. Both figures are a shade below those in the preliminary report for the first half of June.

### **Home Sales**

Homebuying remained robust in May, with sales of both new and existing homes reaching new records. New home sales jumped 14.8 percent to an annual rate of 1.37 million units.<sup>1</sup> In addition, sales in the previous three months were revised up 5-1/2 percent. The stock of new homes for sale edged down to 372,000 units last month; at the elevated May sales pace, this stock amounted to a record low 3.3 months' supply. Sales of existing homes increased 2.6 percent in May to an annual rate of 6.8 million units. The inventory of homes for sale

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1. Our contact at the Census Bureau believes that the May level of sales may be revised down as much as 5 percent next month. The Census mechanically adjusts its preliminary sales figures to reflect the usual pattern of late reports, and the adjustment depends on the number of late reports in recent months. Because April had an unusually large number of late reports and May had an unusually large number of on-time reports, our contact thinks that the typical imputation procedure overstated the number of late reports that will come in during the next month.

June 25, 2004

**University of Michigan Survey Research Center: Survey of Consumer Attitudes**  
**Indexes of consumer sentiment**  
 (Not seasonally adjusted)

| Category  | 2003  |      | 2004  |       |       |       |       |                   |
|---|-------|------|-------|-------|-------|-------|-------|-------------------|
|   | Nov.  | Dec. | Jan.  | Feb.  | Mar.  | Apr.  | May   | June <sup>F</sup> |
| Composite of current and expected conditions <sup>1</sup> | 93.7  | 92.6 | 103.8 | 94.4  | 95.8  | 94.2  | 90.2  | 95.6              |
| Current conditions <sup>1</sup>                           | 102.5 | 97.0 | 109.5 | 103.6 | 106.8 | 105.0 | 103.6 | 106.7             |
| Expected conditions <sup>1</sup>                          | 88.1  | 89.8 | 100.1 | 88.5  | 88.8  | 87.3  | 81.6  | 88.5              |
| Personal financial situation                              |       |      |       |       |       |       |       |                   |
| Now compared with 12 months ago <sup>2</sup>              | 107   | 105  | 119   | 111   | 114   | 113   | 113   | 112               |
| Expected in 12 months <sup>2</sup>                        | 128   | 122  | 136   | 128   | 134   | 132   | 125   | 130               |
| Expected business conditions                              |       |      |       |       |       |       |       |                   |
| Next 12 months <sup>2</sup>                               | 122   | 128  | 143   | 118   | 116   | 116   | 105   | 117               |
| Next 5 years <sup>2</sup>                                 | 104   | 112  | 124   | 110   | 107   | 103   | 98    | 108               |
| Appraisal of buying conditions                            |       |      |       |       |       |       |       |                   |
| Cars  | 161   | 157  | 161   | 150   | 153   | 147   | 144   | 144               |
| Large household appliances <sup>2</sup>                   | 158   | 146  | 165   | 157   | 163   | 159   | 156   | 164               |
| Houses  | 170   | 163  | 164   | 158   | 163   | 167   | 160   | 162               |
| Expected unemployment change - next 12 months             | 105   | 98   | 95    | 105   | 108   | 107   | 107   | 96                |
| Prob. household will lose a job - next 5 years            | 27    | 29   | 26    | 25    | 24    | 26    | 27    | 25                |
| Expected inflation - next 12 months                       |       |      |       |       |       |       |       |                   |
| Mean  | 3.1   | 2.8  | 2.9   | 2.9   | 3.4   | 4.0   | 3.9   | 4.0               |
| Median  | 2.7   | 2.6  | 2.7   | 2.6   | 2.9   | 3.2   | 3.3   | 3.3               |
| Expected inflation - next 5 to 10 years                   |       |      |       |       |       |       |       |                   |
| Mean  | 3.1   | 3.1  | 3.4   | 3.3   | 3.4   | 3.2   | 3.3   | 3.4               |
| Median  | 2.7   | 2.8  | 2.8   | 2.9   | 2.9   | 2.7   | 2.8   | 2.9               |

Note. Figures on financial, business, and buying conditions are the percent reporting 'good times' (or 'better') minus the percent reporting 'bad times' (or 'worse'), plus 100. Expected change in unemployment is the fraction expecting unemployment to rise minus the fraction expecting unemployment to fall, plus 100.

F Final.

1. Feb. 1966 = 100.

2. Indicates the question is one of the five equally-weighted components of the index of sentiment.



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edged up to 2.37 million units in May, but still represented a low 4.2 months' supply.

The average price of new homes sold in May was 5.3 percent higher than a year earlier; this increase is in the middle of the range of price increases seen in recent years. The median price of new homes sold in May was 1.5 percent higher than a year earlier; this price increase is toward the lower end of the range of recent median price increases. The most recent reading for the constant-quality price index for new homes, which adjusts for changes in geographic composition and in home size and other amenities, was an increase of 5.8 percent for the year ending in the first quarter of 2004.

The average price of existing homes was 10.6 percent higher in May than a year earlier, and the median price was 10.3 percent higher. Both of these increases are near the upper end of their respective ranges since early 2002. These price series do not adjust for compositional changes in the structural characteristics and amenities of homes sold. The most recent data for the repeat-sales price index for existing homes—which holds constant some of the compositional shifts that can affect the median and average prices—was 8.5 percent higher in the first quarter than a year earlier, the same rate of increase as that recorded in the fourth quarter of last year. These increases are the most rapid since early 1980.<sup>2</sup>

### **Orders and Shipments of Capital Goods**

New orders for durable goods dropped back for a second month in May. The staff's constructed series on real adjusted durable goods orders—which strips out nondefense aircraft, defense capital goods, and industries for which reported orders actually equal shipments—moved down 1.6 percent in May after having fallen 3.7 percent in April. These declines followed several months of sizable increases, and the trend in real adjusted durable goods orders, as measured by the three-month moving average, continued to edge higher in May.

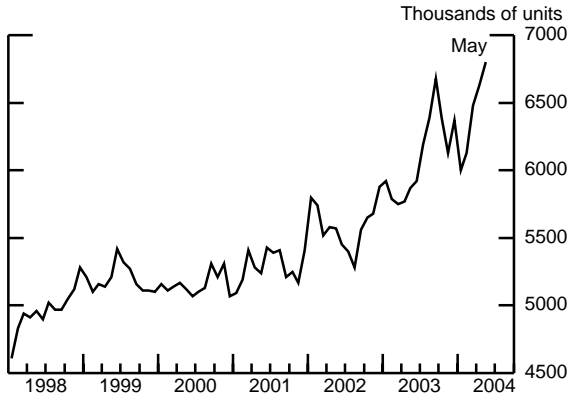
New orders for nondefense capital goods excluding aircraft declined 3 percent in May following a decrease of 2 percent in April. In the high-tech sector, bookings of computers and peripherals dropped back 3.6 percent, and communications orders tumbled 12.9 percent. In both cases, the declines reversed part of the larger gains recorded in April. Outside of the high-tech sector, orders weakened 1.2 percent as bookings for construction machinery and metalworking machinery retraced some of the outsized gains experienced over the past six months. Nonetheless, the overall level of new orders for nondefense

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2. This index is calculated by Fannie Mae and Freddie Mac using price data obtained when houses are sold repeatedly or refinanced.

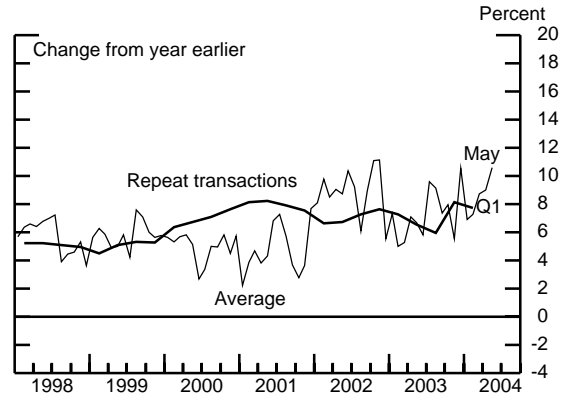
## Indicators of Single-Family Housing

Existing Home Sales



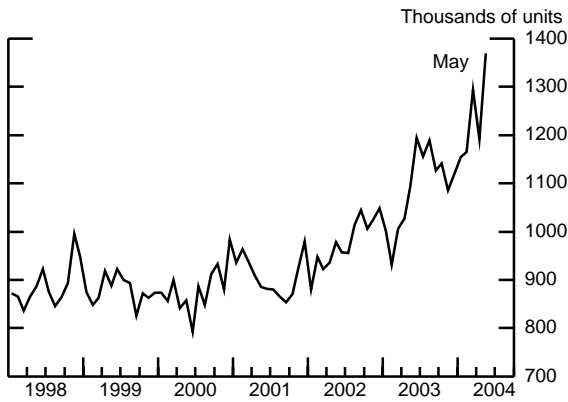
Source. National Association of Realtors.

Prices of Existing Homes



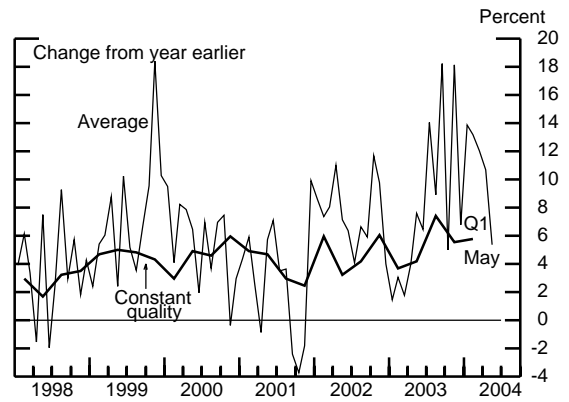
Source. National Association of Realtors and OFHEO.

New Home Sales



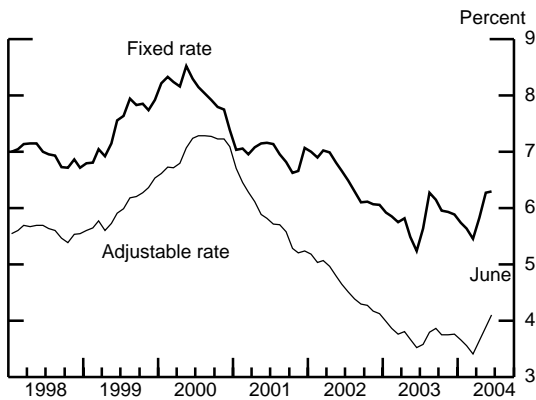
Source. Census Bureau.

Prices of New Homes



Source. Census Bureau.

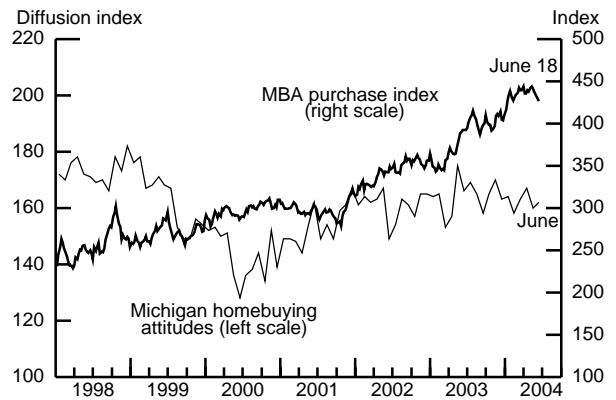
Mortgage Rates



Note. The June reading is based on data through June 25.

Source. Freddie Mac.

Homebuying Indicators



Note. MBA index is a 4-week moving average. Michigan Survey data are not seasonally adjusted.

Source. Mortgage Bankers Association and Michigan Survey.

### New Orders for Durable Goods

(Percent change from preceding period except as noted; seasonally adjusted)

| Component                    | Proportion,<br>2003: H2<br>(percent) | 2003        | 2004       | 2004         |             |             |
|------------------------------|--------------------------------------|-------------|------------|--------------|-------------|-------------|
|                              |                                      | Q4          | Q1         | Mar.         | Apr.        | May         |
|                              |                                      | Annual rate |            | Monthly rate |             |             |
| <b>Total orders</b>          | <b>100.0</b>                         | <b>18.4</b> | <b>8.8</b> | <b>5.9</b>   | <b>-2.6</b> | <b>-1.6</b> |
| Adjusted orders <sup>1</sup> | 75.0                                 | 19.1        | 13.4       | 6.8          | -3.0        | -1.0        |
| Computers                    | 5.0                                  | 4.7         | -14.8      | -1.1         | 7.4         | -3.6        |
| Communication equipment      | 4.0                                  | -56.0       | 48.3       | -7.1         | 18.1        | -12.9       |
| Other capital goods          | 23.0                                 | 27.7        | 18.5       | 9.5          | -6.1        | -1.2        |
| Other <sup>2</sup>           | 43.0                                 | 26.0        | 11.7       | 7.2          | -3.8        | .5          |
| Memo:                        |                                      |             |            |              |             |             |
| Real adjusted orders         | ...                                  | 18.0        | 10.8       | 6.3          | -3.7        | -1.6        |
| Excluding high tech          | ...                                  | 22.9        | 10.2       | 7.8          | -5.7        | -1.0        |

1. Orders excluding defense capital goods, nondefense aircraft, and motor vehicle parts.

2. Primary metals; most fabricated metals; most stone, clay, and glass products; household appliances; scientific instruments; and miscellaneous durable goods.

... Not applicable.

capital goods excluding aircraft remained above the level of shipments in May for the fourth consecutive month.

Shipments of nondefense capital goods excluding aircraft also turned down in May. In the high-tech sector, shipments of computers and peripheral equipment slumped 10.7 percent, and shipments of communications equipment contracted 1.3 percent. Outside of the high-tech sector, shipments declined 1.4 percent in May with broad-based declines occurring in the machinery category.

The book value of inventories held by durable goods manufacturers increased at an annual rate of \$13.5 billion in May, led by stockbuilding at machinery manufacturers. Shipments of total durable goods slipped 0.7 percent in May, and the inventory-shipments ratio ticked up to 1.38 months.

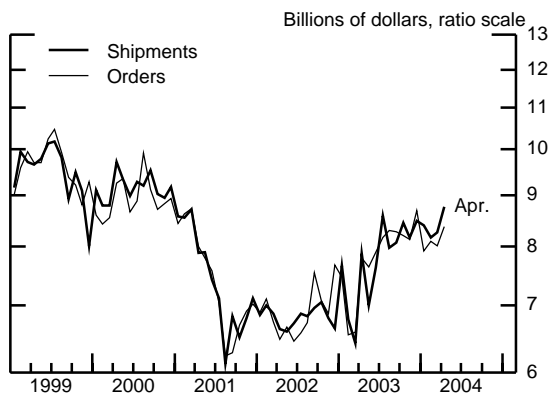
## Orders and Shipments of Nondefense Capital Goods

(Percent change; seasonally adjusted current dollars)

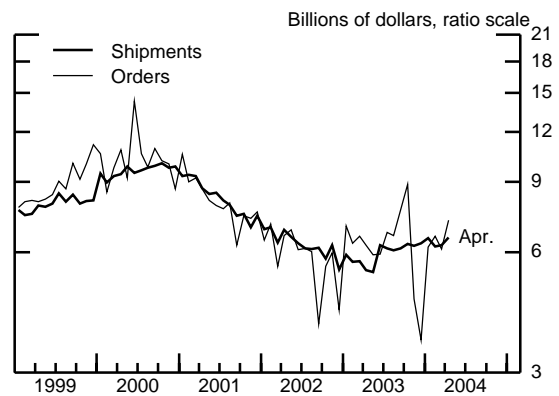
| Indicators   | 2003        | 2004  |              |      |      |
|--|-------------|-------|--------------|------|------|
|  | Q4          | Q1    | Feb.         | Mar. | Apr. |
|  | Annual rate |       | Monthly rate |      |      |
| Shipments  | 11.2        | 10.5  | -3           | 3.4  | -1   |
| Excluding aircraft                                   | 12.2        | 12.1  | -1.7         | 3.6  | .5   |
| Computers and peripherals                            | 7.8         | -4.3  | -2.7         | 1.2  | 6.0  |
| Communications equipment                             | 11.3        | 2.6   | -4.6         | .7   | 4.5  |
| All other categories                                 | 13.3        | 17.1  | -1.0         | 4.5  | -1.0 |
| Orders   | 9.7         | 10.4  | 4.1          | 6.2  | -3.0 |
| Excluding aircraft                                   | 10.2        | 15.8  | 2.3          | 6.2  | -3.8 |
| Computers and peripherals                            | 4.7         | -14.8 | 2.2          | -1.1 | 4.5  |
| Communications equipment                             | -56.0       | 48.3  | 6.4          | -7.1 | 18.1 |
| All other categories                                 | 27.7        | 18.5  | 1.8          | 9.5  | -7.9 |
| Memo:<br>Shipments of complete aircraft <sup>1</sup> | 29.0        | 29.2  | 31.4         | 31.2 | 24.3 |

1. From Census Bureau, Current Industrial Reports; billions of dollars, annual rate.

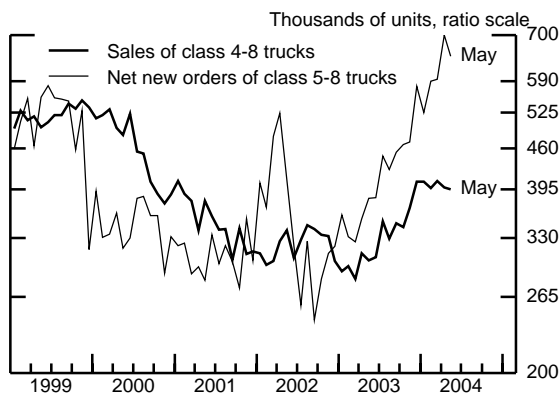
### Computers and Peripherals



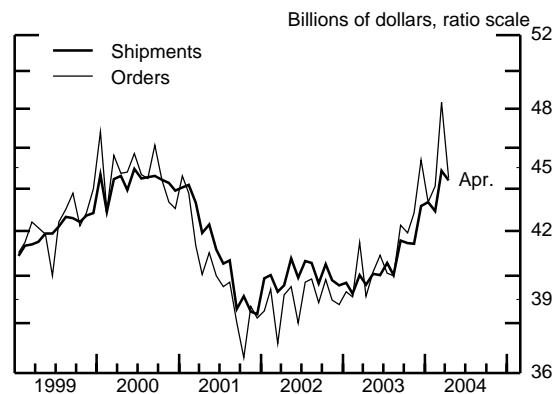
### Communications Equipment



### Medium and Heavy Trucks



### Other Equipment



Note. Annual rate, FRB seasonals.

Source. Ward's Communications and ACT Research Co.

### Commercial Bank Credit

(Percent change, annual rate, except as noted; seasonally adjusted)

| Type of credit                 | 2003       | Q4<br>2003 | Q1<br>2004  | Mar.<br>2004 | Apr.<br>2004 | May<br>2004 | Level,<br>May 2004<br>(\$ billions) |
|--------------------------------|------------|------------|-------------|--------------|--------------|-------------|-------------------------------------|
| <b>Total</b>                   |            |            |             |              |              |             |                                     |
| <b>1. Adjusted<sup>1</sup></b> | <b>5.9</b> | <b>-.5</b> | <b>10.5</b> | <b>13.6</b>  | <b>8.6</b>   | <b>4.2</b>  | <b>6,264</b>                        |
| 2. Reported                    | 5.6        | .1         | 11.2        | 14.9         | 1.6          | -.4         | 6,417                               |
| <i>Securities</i>              |            |            |             |              |              |             |                                     |
| 3. Adjusted <sup>1</sup>       | 8.7        | 6.9        | 17.4        | 28.8         | 4.5          | -1.5        | 1,749                               |
| 4. Reported                    | 7.4        | 8.1        | 19.0        | 31.8         | -17.9        | -16.2       | 1,902                               |
| 5. Treasury and agency         | 8.8        | 2.6        | 24.9        | 36.6         | -5.8         | -11.4       | 1,191                               |
| 6. Other <sup>2</sup>          | 5.3        | 16.9       | 10.0        | 24.0         | -37.5        | -24.3       | 711                                 |
| <i>Loans<sup>3</sup></i>       |            |            |             |              |              |             |                                     |
| 7. Total                       | 4.9        | -3.2       | 7.9         | 7.7          | 10.2         | 6.4         | 4,515                               |
| 8. Business                    | -9.3       | -11.9      | -5.4        | -5.8         | -4.7         | -2.5        | 858                                 |
| 9. Real estate                 | 11.1       | -2.2       | 9.5         | 20.1         | 26.2         | 14.8        | 2,376                               |
| 10. Home equity                | 30.7       | 31.4       | 38.2        | 42.7         | 35.4         | 34.0        | 327                                 |
| 11. Other                      | 8.8        | -6.6       | 5.4         | 16.8         | 24.7         | 11.8        | 2,050                               |
| 12. Consumer                   | 5.6        | 10.7       | 11.6        | 10.2         | 2.3          | 3.9         | 641                                 |
| 13. Adjusted <sup>4</sup>      | 6.0        | 9.4        | 10.5        | 10.4         | -7.6         | -8.4        | 1,003                               |
| 14. Other <sup>5</sup>         | 6.7        | -7.3       | 17.1        | -19.3        | -18.5        | -9.7        | 640                                 |

Note. Data are adjusted to remove estimated effects of consolidation related to FIN 46 and for breaks caused by reclassifications. Monthly levels are pro rata averages of weekly (Wednesday) levels. Quarterly levels (not shown) are simple averages of monthly levels. Annual levels (not shown) are levels for the fourth quarter. Growth rates are percentage changes in consecutive levels, annualized but not compounded.

1. Adjusted to remove effects of mark-to-market accounting rules (FIN 39 and FAS 115).

2. Includes private mortgage-backed securities, securities of corporations, state and local governments, foreign governments, and any trading account assets that are not Treasury or agency securities, including revaluation gains on derivative contracts.

3. Excludes interbank loans.

4. Includes an estimate of outstanding loans securitized by commercial banks.

5. Includes security loans and loans to farmers, state and local governments, and all others not elsewhere classified. Also includes lease financing receivables.

**Selected Financial Market Quotations**

(One-day quotes in percent except as noted)

| Instrument                                      | 2003    | 2004          |       |         | Change to June 24 from selected dates (percentage points) |               |               |
|---|---------|---------------|-------|---------|---|---------------|---------------|
|   | Dec. 31 | BIS<br>May 11 | May 3 | June 24 | 2003<br>Dec. 31   | BIS<br>May 11 | 2004<br>May 3 |
| <i>Short-term</i>                               |         |               |       |         |   |               |               |
| FOMC intended federal funds rate                | 1.00    | 1.00          | 1.00  | 1.00    | .00   | .00           | .00           |
| Treasury bills <sup>1</sup>                     |         |               |       |         |   |               |               |
| 3-month   | 0.93    | 1.04          | 0.99  | 1.26    | .33   | .22           | .27           |
| 6-month   | 1.00    | 1.33          | 1.19  | 1.64    | .64   | .31           | .45           |
| Commercial paper (A1/P1 rates) <sup>2</sup>     |         |               |       |         |   |               |               |
| 1-month   | 1.00    | 1.02          | 1.02  | 1.22    | .22   | .20           | .20           |
| 3-month   | 1.05    | 1.14          | 1.08  | 1.48    | .43   | .34           | .40           |
| Large negotiable CDs <sup>1</sup>               |         |               |       |         |   |               |               |
| 1-month   | 1.06    | 1.05          | 1.04  | 1.29    | .23   | .24           | .25           |
| 3-month   | 1.09    | 1.19          | 1.11  | 1.52    | .43   | .33           | .41           |
| 6-month   | 1.16    | 1.48          | 1.31  | 1.83    | .67   | .35           | .52           |
| Eurodollar deposits <sup>3</sup>                |         |               |       |         |   |               |               |
| 1-month   | 1.04    | 1.03          | 1.03  | 1.25    | .21   | .22           | .22           |
| 3-month   | 1.07    | 1.18          | 1.10  | 1.50    | .43   | .32           | .40           |
| Bank prime rate                                 | 4.00    | 4.00          | 4.00  | 4.00    | .00   | .00           | .00           |
| <i>Intermediate- and long-term</i>              |         |               |       |         |   |               |               |
| U.S. Treasury <sup>4</sup>                      |         |               |       |         |   |               |               |
| 2-year  | 1.83    | 2.63          | 2.35  | 2.75    | .92   | .12           | .40           |
| 10-year   | 4.40    | 4.95          | 4.68  | 4.80    | .40   | -.15          | .12           |
| 30-year   | 5.22    | 5.60          | 5.42  | 5.46    | .24   | -.14          | .04           |
| U.S. Treasury 10-year indexed note              | 2.00    | 2.21          | 2.09  | 2.13    | .13   | -.08          | .04           |
| Municipal revenue (Bond Buyer) <sup>5</sup>     | 5.04    | 5.32          | 5.28  | 5.37    | .33   | .05           | .09           |
| Private instruments                             |         |               |       |         |   |               |               |
| 10-year swap                                    | 4.66    | 5.32          | 4.97  | 5.11    | .45   | -.21          | .14           |
| 10-year FNMA <sup>6</sup>                       | 4.72    | 5.34          | 5.00  | 5.21    | .49   | -.13          | .21           |
| 10-year AA <sup>7</sup>                         | 5.05    | 5.64          | 5.33  | 5.49    | .44   | -.15          | .16           |
| 10-year BBB <sup>7</sup>                        | 5.74    | 6.23          | 5.91  | 6.09    | .35   | -.14          | .18           |
| 5-year high yield <sup>7</sup>                  | 7.94    | 8.51          | 8.04  | 8.30    | .36   | -.21          | .26           |
| Home mortgages (FHLMC survey rate) <sup>8</sup> |         |               |       |         |   |               |               |
| 30-year fixed                                   | 5.81    | 6.12          | 6.01  | 6.32    | .51   | .20           | .31           |
| 1-year adjustable                               | 3.73    | 3.76          | 3.75  | 4.13    | .40   | .37           | .38           |

| Stock exchange index | Record high |         | 2004          |        |         | Change to June 24 from selected dates (percent) |               |               |
|----------------------|-------------|---------|---------------|--------|---------|---|---------------|---------------|
|                      | Level       | Date    | BIS<br>May 11 | May 3  | June 24 | Record<br>high                                  | BIS<br>May 11 | 2004<br>May 3 |
| Dow-Jones Industrial | 11,723      | 1-14-00 | 10,019        | 10,314 | 10,444  | -10.91  | 4.24          | 1.26          |
| S&P 500 Composite    | 1,527       | 3-24-00 | 1,095         | 1,117  | 1,141   | -25.32  | 4.13          | 2.07          |
| Nasdaq               | 5,049       | 3-10-00 | 1,931         | 1,939  | 2,016   | -60.08  | 4.36          | 3.96          |
| Russell 2000         | 606         | 4-5-04  | 549           | 565    | 579     | -4.51   | 5.54          | 2.40          |
| Wilshire 5000        | 14,752      | 3-24-00 | 10,648        | 10,890 | 11,104  | -24.73  | 4.28          | 1.97          |

1. Secondary market.
2. Financial commercial paper.
3. Bid rates for eurodollar deposits collected around 9:30 a.m. Eastern time.
4. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.
5. Most recent Thursday quote.
6. Constant maturity yields estimated from Fannie Mae domestic noncallable coupon securities.
7. Derived from smoothed corporate yield curves estimated using Merrill Lynch bond data.
8. For week ending Friday previous to date shown.

NOTES:

June 24, 2003, is the last day before the most recent policy easing.  
 May 3, 2004, is the day before the most recent FOMC meeting.