

Prefatory Note

The attached document represents the most complete and accurate version available based on original files from the FOMC Secretariat at the Board of Governors of the Federal Reserve System.

Please note that some material may have been redacted from this document if that material was received on a confidential basis. Redacted material is indicated by occasional gaps in the text or by gray boxes around non-text content. All redacted passages are exempt from disclosure under applicable provisions of the Freedom of Information Act.

January 25, 2008

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Supplemental Notes

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

Contents

The Domestic Nonfinancial Economy1

Sales and Prices of Existing Homes..... 1

Charts

Indicators of Single-Family Housing.....2

The Domestic Financial Economy1

Tables

Commercial Bank Credit3

Selected Financial Market Quotations4

Supplemental Notes

The Domestic Nonfinancial Economy

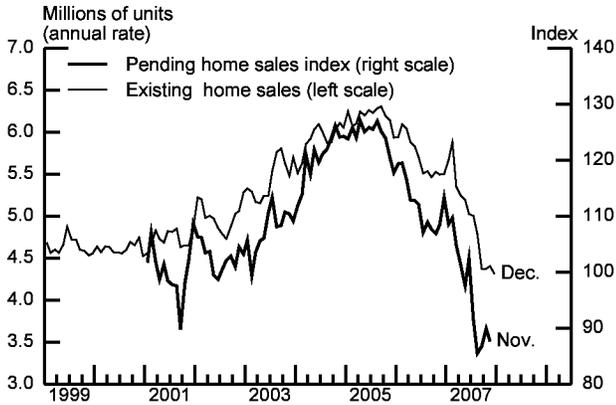
Sales and Prices of Existing Homes

Sales of existing single-family homes declined 2 percent in December to an annual rate of 4.31 million units; data on pending home sales through November and other indicators of housing demand had instead implied a small increase. Still, existing home sales continue to paint a noticeably less downbeat picture of housing demand than do the data on sales of new single-family homes. Sales of condos and co-ops also moved down in December, and the declines in total existing home sales were spread across all four Census regions. The average price of existing single-family homes sold fell 5 percent in the twelve months ending in December, similar to the readings for this series seen in recent months.

The Domestic Financial Economy

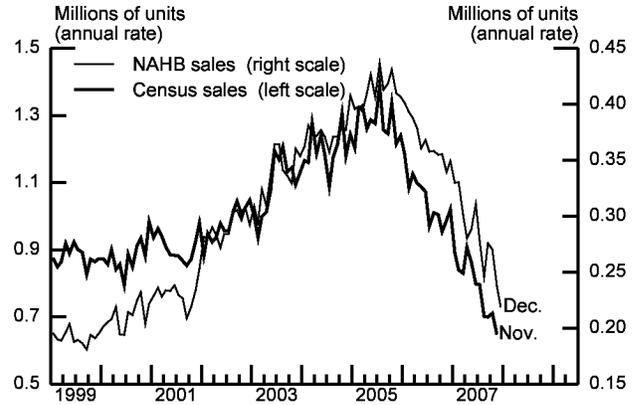
Indicators of Single-Family Housing

Existing Single-Family Home Sales



Source. National Association of Realtors.

New Single-Family Home Sales



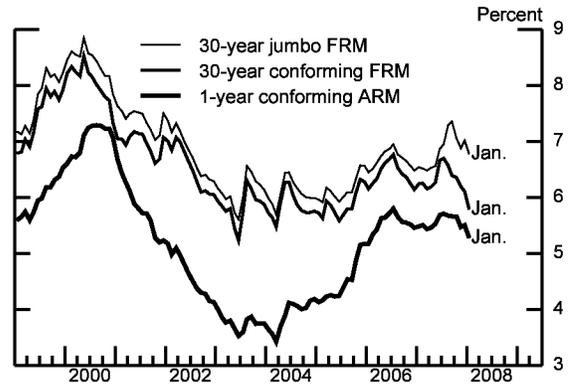
Source. For NAHB new home sales, NAHB's survey of large homebuilders; for new home sales agreements, Census Bureau.

New Home Sales Months' Supply



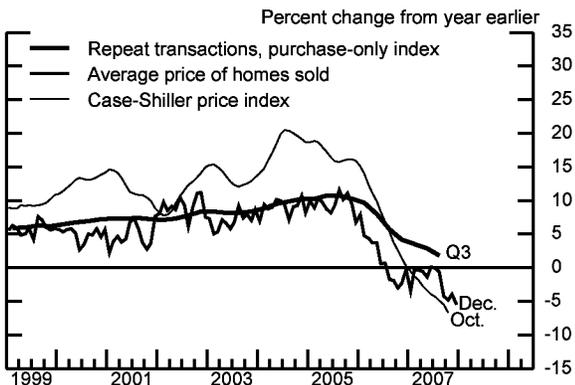
Note. Months' supply is calculated using the 3-month moving average of sales.
Source. for months' supply, Census Bureau.

Mortgage Rates



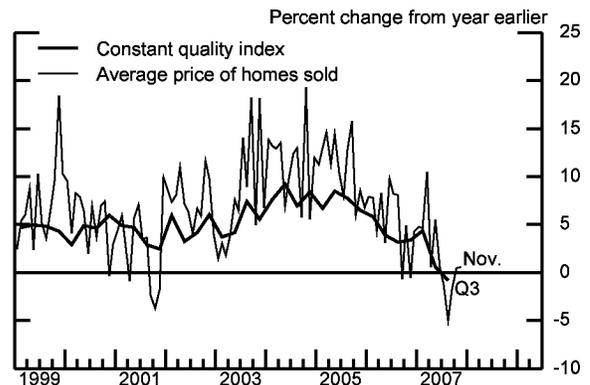
Note. The Jan. readings are for data through Jan. 23, 2008.
Source. Conforming rates are from Freddie Mac. The jumbo rate is the sum of the 30-year conforming FRM rate and the jumbo conforming spread from bankrate.com.

Prices of Existing Homes



Note. The Case-Shiller price index is the 10-city index.
Source. For repeat transactions, OFHEO; for average price, National Association of Realtors; for Case-Shiller, Chicago Mercantile Exchange.

Prices of New Homes



Note. Average price values have been adjusted by Board staff to take into account new sampling procedures adopted in 2005.
Source. Census Bureau.

Content partially redacted.

Commercial Bank Credit

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

| Type of credit | 2006 | H1 2007 | Q3 2007 | Q4 2007 | Dec. 2007 | Jan. 2008 ^e | Level ¹ Jan. 2008 ^e |
|---------------------------|------|------------|------------|------------|--------------|---------------------------|--|
| Total | 9.8 | 9.3 | 12.4 | 9.1 | 8.6 | 4.7 | 8,772 |
| <i>Loans²</i> | | | | | | | |
| Total | 10.9 | 10.2 | 12.5 | 11.6 | 12.4 | 9.0 | 6,695 |
| To businesses | | | | | | | |
| Commercial and industrial | 16.5 | 10.1 | 24.2 | 29.9 | 21.3 | 14.6 | 1,432 |
| Commercial real estate | 13.7 | 13.8 | 3.8 | 7.7 | 7.4 | 2.9 | 1,580 |
| To households | | | | | | | |
| Residential real estate | 7.0 | 7.0 | 9.6 | 1.0 | 3.0 | 4.0 | 1,881 |
| Revolving home equity | 1.4 | 1.9 | 6.5 | 12.2 | 13.1 | 8.5 | 485 |
| Other | 9.1 | 8.7 | 10.6 | -2.7 | -.5 | 2.5 | 1,396 |
| Consumer | 5.9 | 6.5 | 10.5 | 7.2 | 17.8 | -.1 | 802 |
| Originated ³ | 6.9 | 5.2 | 10.3 | 7.2 | 13.2 | 5.3 | 1,205 |
| Other ⁴ | 11.8 | 14.3 | 19.1 | 17.5 | 21.4 | 28.2 | 1,000 |
| <i>Securities</i> | | | | | | | |
| Total | 6.5 | 6.5 | 12.2 | 1.6 | -3.2 | -9.3 | 2,077 |
| Treasury and agency | 2.6 | -4.9 | 6.8 | -23.9 | -11.7 | -19.9 | 1,078 |
| Other ⁵ | 13.2 | 24.1 | 19.4 | 34.6 | 6.4 | 2.3 | 999 |

Note. Yearly annual rates are Q4 to Q4; quarterly and monthly annual rates use corresponding average levels. Data have been adjusted to remove the effects of mark-to-market accounting rules (FIN 39 and FAS 115), the consolidation of certain variable interest entities (FIN 46), the adoption of fair value accounting (FAS 159), and the effects of sizable thrift-to-bank and bank-to-thrift structure activity in October 2006, March 2007, and October 2007. Data also account for breaks caused by reclassifications.

1. Billions of dollars. Pro rata averages of weekly (Wednesday) levels.

2. Excludes interbank loans.

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

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

5. 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.

e Estimated.

III-T-1
Selected Financial Market Quotations
(One-day quotes in percent except as noted)

| Instrument | 2006 | | 2007 | | 2008 | Change to Jan. 24 from selected dates (percentage points) | | |
|---|---------|----------|---------|---------|-----------------|---|-----------------|--|
| | June 29 | Sept. 17 | Dec. 10 | Jan. 24 | 2006 June 29 | 2007 Sept. 17 | 2007 Dec. 10 | |
| <i>Short-term</i> | | | | | | | | |
| FOMC intended federal funds rate | 5.25 | 5.25 | 4.50 | 3.50 | -1.75 | -1.75 | -1.00 | |
| Treasury bills ¹ | | | | | | | | |
| 3-month | 4.88 | 4.05 | 2.98 | 2.32 | -2.56 | -1.73 | -.66 | |
| 6-month | 5.06 | 4.15 | 3.20 | 2.41 | -2.65 | -1.74 | -.79 | |
| Commercial paper (A1/P1 rates) ² | | | | | | | | |
| 1-month | 5.27 | 5.23 | 4.36 | 3.11 | -2.16 | -2.12 | -1.25 | |
| 3-month | 5.37 | 5.25 | 4.94 | 3.06 | -2.31 | -2.19 | -1.88 | |
| Large negotiable CDs ¹ | | | | | | | | |
| 3-month | 5.47 | 5.52 | 5.18 | 3.20 | -2.27 | -2.32 | -1.98 | |
| 6-month | 5.59 | 5.36 | 4.98 | 3.08 | -2.51 | -2.28 | -1.90 | |
| Eurodollar deposits ³ | | | | | | | | |
| 1-month | 5.33 | 5.55 | 5.40 | 3.30 | -2.03 | -2.25 | -2.10 | |
| 3-month | 5.49 | 5.60 | 5.25 | 3.25 | -2.24 | -2.35 | -2.00 | |
| Bank prime rate | 8.25 | 8.25 | 7.50 | 6.50 | -1.75 | -1.75 | -1.00 | |
| <i>Intermediate- and long-term</i> | | | | | | | | |
| U.S. Treasury ⁴ | | | | | | | | |
| 2-year | 5.26 | 4.12 | 3.17 | 2.23 | -3.03 | -1.89 | -.94 | |
| 5-year | 5.15 | 4.18 | 3.55 | 2.86 | -2.29 | -1.32 | -.69 | |
| 10-year | 5.28 | 4.58 | 4.33 | 3.87 | -1.41 | -.71 | -.46 | |
| U.S. Treasury indexed notes ⁵ | | | | | | | | |
| 5-year | 2.51 | 2.04 | 1.42 | .87 | -1.64 | -1.17 | -.55 | |
| 10-year | 2.61 | 2.15 | 1.94 | 1.45 | -1.16 | -.70 | -.49 | |
| Municipal general obligations (Bond Buyer) ⁶ | 4.71 | 4.46 | 4.38 | 4.29 | -.42 | -.17 | -.09 | |
| Private instruments | | | | | | | | |
| 10-year swap | 5.81 | 5.17 | 4.89 | 4.25 | -1.56 | -.92 | -.64 | |
| 10-year FNMA ⁷ | 5.59 | 5.01 | 4.83 | 4.27 | -1.32 | -.74 | -.56 | |
| 10-year AA ⁸ | 6.20 | 6.05 | 6.08 | 5.68 | -.52 | -.37 | -.40 | |
| 10-year BBB ⁸ | 6.74 | 6.46 | 6.55 | 6.31 | -.43 | -.15 | -.24 | |
| 10-year high yield ⁸ | 8.74 | 8.95 | 9.23 | 9.98 | 1.24 | 1.03 | .75 | |
| Home mortgages (FHLMC survey rate) | | | | | | | | |
| 30-year fixed | 6.78 | 6.34 | 6.11 | 5.48 | -1.30 | -.86 | -.63 | |
| 1-year adjustable | 5.82 | 5.65 | 5.50 | 4.99 | -.83 | -.66 | -.51 | |

| Stock exchange index | Record high | | 2007 | | 2008 | Change to Jan. 24 from selected dates (percent) | | |
|----------------------|-------------|---------|----------|---------|---------|---|------------------|-----------------|
| | Level | Date | Sept. 17 | Dec. 10 | Jan. 24 | Record high | 2007 Sept. 17 | 2007 Dec. 10 |
| Dow Jones Industrial | 14,165 | 10-9-07 | 13,403 | 13,727 | 12,379 | -12.61 | -7.65 | -9.82 |
| S&P 500 Composite | 1,565 | 10-9-07 | 1,477 | 1,516 | 1,352 | -13.61 | -8.44 | -1.81 |
| Nasdaq | 5,049 | 3-10-00 | 2,582 | 2,719 | 2,361 | -53.24 | -8.55 | -13.17 |
| Russell 2000 | 856 | 7-13-07 | 776 | 791 | 693 | -19.05 | -1.71 | -12.45 |
| Wilshire 5000 | 15,807 | 10-9-07 | 14,839 | 15,311 | 13,608 | -13.91 | -8.30 | -11.12 |

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. Derived from a smoothed Treasury yield curve estimated using all outstanding securities and adjusted for the carry effect.
6. Most recent Thursday quote.
7. Constant-maturity yields estimated from Fannie Mae domestic noncallable coupon securities.
8. Derived from smoothed corporate yield curves estimated using Merrill Lynch bond data.

NOTES:

June 29, 2006, is the day the most recent policy tightening ended.
September 17, 2007, is the day before the most recent policy easing began.
December 10, 2007, is the day before the most recent FOMC announcement.