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CONFIDENTIAL (FR)

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

April 14, 1972

By the Staff  
Board of Governors  
of the Federal Reserve System

SUPPLEMENTAL NOTES

The Domestic Financial Situation

Monetary aggregates. February, March and first quarter 1972 figures for  $M_1$ ,  $M_2$  and the adjusted credit proxy have been revised upward somewhat since the Greenbook was prepared. Revised figures are shown in the table below.

MONETARY AGGREGATES  
(Seasonally adjusted changes)

	1971		1972			
	QIII	QIV	QI <sup>p</sup>	Jan.	Feb.	Mar. <sup>p</sup>
(Annual percentage rates)						
1. $M_1$ (Currency plus private demand deposits)	3.7	1.1	9.5	3.2	12.6	12.5
2. $M_2$ ( $M_1$ plus commercial bank time and savings deposits other than large CD's)	4.4	8.0	13.3	13.4	14.3	11.6
3. $M_3$ ( $M_2$ plus savings deposits at mutual savings banks and S&L's)	7.8	9.6	15.5	15.4	16.7	14.0
4. Adjusted bank credit proxy	7.6	9.7	11.3	9.9	5.9	18.0
5. Time and savings deposits at commercial banks						
a. Total	8.2	15.9	14.8	20.0	16.2	7.8
b. Other than large CD's	5.3	14.7	17.1	24.4	15.4	10.8
Memorandum:	(Change in \$ billions)					
a. U. S. Government demand deposits	2.3	-.4	-.1	.1	-2.6	2.3
b. Negotiable CD's	2.3	1.8	-.1	-.2	.6	-.4
c. Nondeposit sources of funds	-.4	--	-.3	-.1	-.3	.1

p - Preliminary and partially estimated.

Mortgage market. Rates on home mortgages eased a little during March, according to the FHA series, although firmer conditions appeared in the secondary market toward month end. Despite mixed regional trends, the average contract interest rate on conventional new-home mortgages for the nation as a whole declined slightly in the primary market to 7.55 per cent, 40 basis points below last summer's high. On existing-home loans, the average rate also dropped by 5 basis points. Yields on Government-underwritten home mortgages in the private secondary market moved down by only 1 basis point to 7.45 per cent-- 52 basis points below the peak in July 1971. Relative to the further rise in yields on new issues of high-grade corporate bonds during March, rates on home mortgages became even less attractive to diversified lenders than they were in February.

AVERAGE RATES AND YIELDS ON NEW-HOME MORTGAGES

	Primary market: Conventional loans		Secondary market: FHA-insured loans		
	Level (per cent)	Yield spread (basis points)	Level (per cent)	Yield spread (basis points)	Discount (points)
1971 - Low	7.55	-36	7.32	-36	2.5e
High	7.95	71	7.97	56e	7.8
Oct.	7.80	51	7.75	46	6.1
Nov.	7.75	56	7.62	43	5.1
Dec.	7.70	61	7.59	50	4.8
1972 - Jan.	7.60	53	7.49	42	4.0
Feb.	7.60	44	7.46	30	3.8
Mar.	7.55	33	7.45	23	3.7

NOTE: FHA series: interest rates on conventional first mortgages (excluding additional initial fees and charges) are rounded to the nearest 5 basis points. On FHA loans carrying the 7 per cent ceiling rate in effect since mid-February 1971, a change of 1.0 points in discount is associated with a change of 12 to 14 basis points in yield. Gross yield spread is average mortgage return, before deducting servicing costs, minus average yield on new issues of high-grade corporate bonds with 5-year call protection.

CORRECTIONS:

Page I-27 should follow page I-28.

Page II-2, line 1 of Outlook should read "Increased anticipations of a firming trend in....."

INTEREST RATES

	1972			
	Highs	Lows	Mar. 20	Apr. 13
<u>Short-Term Rates</u>				
Federal funds (wkly. avg.)	4.18 (4/12)	3.18 (3/1)	3.88 (3/15)	4.18 (4/12)
3-month				
Treasury bills (bid)	3.94 (3/15)	2.99 (2/11)	3.87	3.86
Comm. paper (90-119 day)	4.62 (4/13)	3.75 (2/29)	4.25	4.62
Banks' acceptances	4.50 (4/13)	3.38 (2/23)	4.12	4.50
Euro-dollars	5.69 (1/14)	4.62 (3/8)	5.44	5.31
CD's (prime NYC)				
Most often quoted new	4.50 (4/12)	3.50 (2/23)	4.12 (3/15)	4.50
Secondary market	4.70 (4/12)	3.50 (2/16)	3.98 (3/15)	4.70 (4/12)
6-month				
Treasury bills (bid)	4.44 (4/4)	3.35 (1/10)	4.30	4.34
Comm. paper (4-6 mo.)	4.62 (4/13)	3.88 (3/3)	4.38	4.62
Federal agencies	4.74 (4/10)	3.79 (2/17)	4.61	4.72
CD's (prime NYC)				
Most often quoted new	4.75 (4/12)	3.88 (2/23)	4.38 (3/15)	4.15
Secondary market	5.00 (4/12)	3.70 (2/2)	4.50 (3/15)	5.00 (4/12)
1-year				
Treasury bills (bid)	4.86 (4/4)	3.57 (1/8)	4.56	4.80
Federal agencies	5.25 (4/11)	4.32 (1/17)	4.93	5.23
CD's (prime NYC)				
Most often quoted new	5.12 (4/12)	4.62 (1/19)	4.88 (3/15)	5.12
Prime municipals	3.15 (4/13)	2.35 (1/12)	2.80	3.15
<u>Intermediate and Long-Term</u>				
Treasury coupon issues				
5-years	6.28 (4/13)	5.47 (1/13)	5.97	6.28
20-years	6.19 (4/13)	5.95 (1/14)	6.08	6.19
Corporate				
Seasoned Aaa	7.30 (2/14)	7.14 (1/17)	7.23	7.29
Baa	8.29 (1/3)	8.17 (1/19)	8.24	8.22
New Issue Aaa	7.42 (4/14)	6.86 (1/14)	7.14 (3/17)	7.42
Municipal				
Bond Buyer Index	5.54 (4/13)	4.99 (1/13)	5.32 (3/17)	5.54
Moody's Aaa	5.25 (4/13)	4.65 (1/13)	5.00	5.25
Mortgage-implicit yield				
in FNMA auction <u>1/</u>	7.61 (2/22)	7.54 (3/20)	7.54	7.56 (4/3)

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