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CONFIDENTIAL (FR)

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

April 8, 1966

SUPPLEMENTAL NOTES

The Domestic Economy

An advance release of the March monthly wholesale price index shows no change for the total from the February level which was revised upward 0.1 to 105.4. Slight declines in farm products and foods in March offset a further rise of 0.2 in prices of other commodities.

The book value of retail inventories increased over \$300 million in February, twice as much as in January. The January-February rate of increase was down from the fourth quarter of last year but the same as the average for 1965 as a whole. The January-February rise was mainly in durable goods. Inventories at nondurable goods stores showed only a small rise over the first two months of the year, following a sharp run-up in the fourth quarter.

The Domestic Financial Situation

Corporate new issue yields -- adjusted to Aaa basis with no call protection adjustment -- declined to 4.95 per cent this week. Investors responded unenthusiastically to the issues included in this series, and as a result large unsold balances remain in syndicate. Next week's calendar of new corporate issues was greatly expanded by the inclusion of Allied Chemical Corp.'s \$150 million debenture offering which has apparently influenced recent investor behavior.

Corrections

Page I - 4: Substitute "extant" for "extent" in the first line of the text.

Page III - 11: Substitute "relatively" for "reluctantly" in the last sentence of paragraph one.

Page III - 12: Next to last sentence, paragraph 2 should read: Very recently several new offerings have been added to the near-term calendar, which would appear to be consistent with longer-run projections that show large continuing business needs for funds.

Page III - 12: Substitute "expensive" for "excessive" in second line of paragraph two.