

## **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.

June 22, 2007

# 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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## Commercial Bank Credit

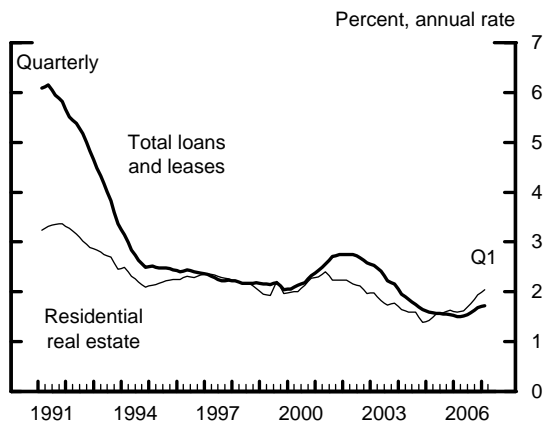
(Percent change, annual rate, except as noted; seasonally adjusted)

Type of credit	2005	2006	Q4 2006	Q1 2007	Apr. 2007	May 2007	Level, <sup>1</sup> May 2007
Total	10.6	9.6	4.4	8.7	11.8	7.5	8,224
<i>Loans<sup>2</sup></i>							
Total	11.6	10.7	7.5	9.9	13.7	9.0	6,189
To businesses							
Commercial and industrial	13.5	16.4	10.6	8.2	8.7	15.3	1,221
Commercial real estate	17.0	13.6	7.6	10.3	14.8	7.9	1,506
To households							
Residential real estate	11.9	7.2	5.4	9.5	14.9	.1	1,821
Revolving home equity	13.3	1.5	1.8	3.5	-3.4	.0	455
Other	11.4	9.3	6.7	11.5	21.1	.0	1,366
Consumer	3.0	5.2	.2	7.6	9.6	5.5	750
Originated <sup>3</sup>	.7	6.4	4.8	8.1	1.2	.6	1,130
Other <sup>4</sup>	8.6	10.9	14.2	14.8	20.1	23.6	891
<i>Securities</i>							
Total	7.5	6.3	-4.8	4.8	6.2	3.2	2,036
Treasury and agency	.0	3.0	-10.1	-1.8	-23.3	-13.6	1,150
Other <sup>5</sup>	13.5	12.8	7.5	10.4	45.9	28.1	1,069

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 and March 2007 respectively. Data also account for breaks caused by reclassifications.

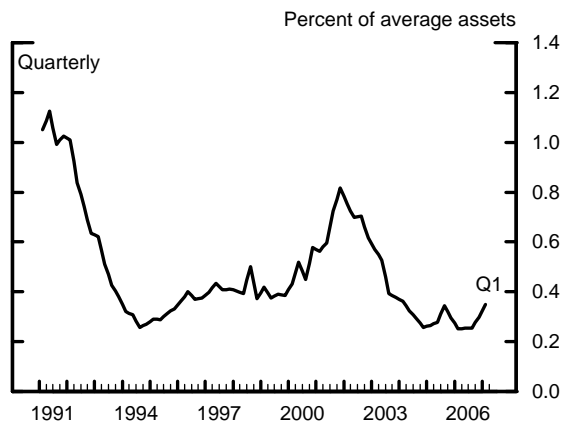
1. Billions of dollars. Pro rata averages of weekly (Wednesday) levels.
2. Excludes interbank loans.
3. Includes an estimate of outstanding loans securitized by commercial banks.
4. Includes security loans and loans to farmers, state and local governments, and all others not elsewhere classified. Also 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.

Delinquency Rates on Loans



Source. Call Report.

Loan-Loss Provisioning



Source. Call Report.

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

Instrument	2004	2006	2007		Change to June 21 from selected dates (percentage points)		
	June 28	June 29	May 8	June 21	2004 June 28	2006 June 29	2007 May 8
<i>Short-term</i>							
FOMC intended federal funds rate	1.00	5.25	5.25	5.25	4.25	.00	.00
Treasury bills <sup>1</sup>							
3-month	1.36	4.88	4.76	4.57	3.21	-.31	-.19
6-month	1.74	5.06	4.82	4.76	3.02	-.30	-.06
Commercial paper (A1/P1 rates) <sup>2</sup>							
1-month	1.28	5.27	5.25	5.25	3.97	-.02	.00
3-month	1.45	5.37	5.21	5.26	3.81	-.11	.05
Large negotiable CDs <sup>1</sup>							
3-month	1.53	5.47	5.31	5.33	3.80	-.14	.02
6-month	1.82	5.59	5.31	5.36	3.54	-.23	.05
Eurodollar deposits <sup>3</sup>							
1-month	1.29	5.33	5.32	5.32	4.03	-.01	.00
3-month	1.51	5.49	5.35	5.36	3.85	-.13	.01
Bank prime rate	4.00	8.25	8.25	8.25	4.25	.00	.00
<i>Intermediate- and long-term</i>							
U.S. Treasury <sup>4</sup>							
2-year	2.88	5.26	4.71	5.01	2.13	-.25	.30
5-year	3.97	5.15	4.51	5.04	1.07	-.11	.53
10-year	4.90	5.28	4.70	5.24	.34	-.04	.54
U.S. Treasury indexed notes							
5-year	1.56	2.49	2.12	2.70	1.14	.21	.58
10-year	2.25	2.61	2.28	2.74	.49	.13	.46
Municipal general obligations (Bond Buyer) <sup>5</sup>	5.01	4.71	4.25	4.63	-.38	-.08	.38
Private instruments							
10-year swap	5.21	5.81	5.17	5.75	.54	-.06	.58
10-year FNMA <sup>6</sup>	5.38	5.59	4.99	5.59	.21	.00	.60
10-year AA <sup>7</sup>	5.60	6.20	5.60	6.18	.58	-.02	.58
10-year BBB <sup>7</sup>	6.25	6.74	6.07	6.63	.38	-.11	.56
10-year high yield <sup>7</sup>	8.41	8.74	7.94	8.30	-.11	-.44	.36
Home mortgages (FHLMC survey rate)							
30-year fixed	6.21	6.78	6.15	6.69	.48	-.09	.54
1-year adjustable	4.19	5.82	5.48	5.66	1.47	-.16	.18

Stock exchange index	Record high		2006	2007		Change to June 21 from selected dates (percent)		
	Level	Date	June 29	May 8	June 21	Record high	2006 June 29	2007 May 8
Dow Jones Industrial	13,676	6-4-07	11,191	13,309	13,546	-.95	21.04	1.78
S&P 500 Composite	1,539	6-4-07	1,273	1,508	1,522	-1.10	19.59	.96
Nasdaq	5,049	3-10-00	2,174	2,572	2,617	-48.16	2.35	1.76
Russell 2000	855	6-4-07	714	831	840	-1.79	17.57	1.07
Wilshire 5000	15,569	6-4-07	12,846	15,203	15,376	-1.24	19.70	1.14

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.

NOTES:

June 28, 2004, is the day before the most recent policy tightening began.  
June 29, 2006, is the day the most recent policy tightening ended.  
May 8, 2007, is the day before the most recent FOMC announcement.