

### **Prefatory Note**

The attached document represents the most complete and accurate version available based on original copies culled from the files of the FOMC Secretariat at the Board of Governors of the Federal Reserve System. This electronic document was created through a comprehensive digitization process which included identifying the best-preserved paper copies, scanning those copies,<sup>1</sup> and then making the scanned versions text-searchable.<sup>2</sup> Though a stringent quality assurance process was employed, some imperfections may remain.

Please note that this document may contain occasional gaps in the text. These gaps are the result of a redaction process that removed information obtained on a confidential basis. All redacted passages are exempt from disclosure under applicable provisions of the Freedom of Information Act.

---

<sup>1</sup> In some cases, original copies needed to be photocopied before being scanned into electronic format. All scanned images were deskewed (to remove the effects of printer- and scanner-introduced tilting) and lightly cleaned (to remove dark spots caused by staple holes, hole punches, and other blemishes caused after initial printing).

<sup>2</sup> A two-step process was used. An advanced optimal character recognition computer program (OCR) first created electronic text from the document image. Where the OCR results were inconclusive, staff checked and corrected the text as necessary. Please note that the numbers and text in charts and tables were not reliably recognized by the OCR process and were not checked or corrected by staff.

CONFIDENTIAL (FR)  
CLASS II - FOMC

February 24, 1978

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

**TABLE OF CONTENTS**

**THE DOMESTIC NONFINANCIAL ECONOMY**

	<u>Page</u>
New orders for durable goods.....	1
Nondefense capital goods orders.....	1

**THE DOMESTIC FINANCIAL ECONOMY**

**TABLE:**

Interest rates.....	3
---------------------	---

SUPPLEMENTAL NOTES

The Domestic Nonfinancial Economy

New orders for durable goods declined 4.4 per cent in January, according to Census Bureau partial-sample estimates; this sharp drop followed a 6.7 per cent increase in December. Decreases in January were fairly widespread, but were particularly sharp in aircraft. Machinery orders were about unchanged as an increase in bookings of electrical machinery offset a decline in the nonelectrical category. Orders for primary metals rose almost 4 per cent due to a rebound in iron and steel bookings.

Nondefense capital goods orders, which are usually a good advance indicator of capital outlays for equipment, declined 4.7 per cent in January, after rising 9.3 per cent in December. The January level of these orders was slightly below the average for the fourth quarter. Over the past year much of the volatility in nondefense capital goods new orders has reflected developments in transportation equipment orders; in January the nondefense capital goods component of these is estimated to have declined about 16-1/2 per cent, after about a 15 per cent rise in December. In contrast, the machinery component of these orders, fell only about 1 per cent in January after rising almost 8 per cent in December. Over the past year, these machinery orders have risen 16 per cent.

The Domestic Financial Economy

No textual addendums to the Greenbook were required, but the usual updating of interest rate developments is contained in the table on page 3.

**INTEREST RATES**  
 (One day quotes--in per cent)

	1977		1978	
	Highs	Lows	Jan. 16	Feb. 23
<b><u>Short-term Rates</u></b>				
Federal funds (wkly avg.)	6.65(12/28)	4.47(1/5)	6.78(1/18)	6.78(2/22)
<b>3-month</b>				
Treasury bills (bid)	6.36(10/13)	4.39(4/28)	6.46	6.43
Comm. paper (90-119 days)	6.68(12/30)	4.63(1/10)	6.84	6.77
Bankers' acceptances	6.75(12/29)	4.66(1/3)	6.90	6.79
Eurodollars	7.56(12/29)	4.88(1/5)	7.38	7.44
CDs (NYC) 90 days				
Most often quoted new	6.70(12/21)	4.50(1/5)	6.87(1/18)	6.75(2/22)
<b>6-month</b>				
Treasury bills (bid)	6.55(10/13)	4.54(1/3)	6.76	6.75
Comm. paper (4-6 mos.)	6.75(10/18)	4.63(1/7)	6.86	6.82
CDs (NYC) 180 days				
Most often quoted new	6.92(11/9)	4.65(1/5)	7.00(1/18)	7.13(2/22)
<b>1-year</b>				
Treasury bills (bid)	6.64(10/13)	4.66(1/3)	6.86	6.88
CDs (NYC)				
Most often quoted new	7.10(12/28)	5.00(1/5)	7.25(1/18)	7.38(2/22)
Prime municipal note	3.65(12/30)	2.65(1/7)	3.80(1/13)	3.65(2/17)
<b><u>Intermediate- and long-term</u></b>				
<b>Treasury (constant maturity)</b>				
3-year	7.40(12/29)	5.73(1/3)	7.66	7.74
7-year	7.77(12/29)	6.50(1/3)	7.91	7.99
20-year	8.00(12/29)	7.20(1/3)	8.17	8.24
<b>Corporate</b>				
Seasoned Aaa	8.30(12/28)	7.87(1/5)	8.45	8.50(2/22)
Baa	9.18(2/25)	8.77(9/9)	9.20	9.21(2/22)
Aaa Utility New Issue	8.36(12/16)	7.90(1/5)	8.70(1/13)	8.73p(2/24)
Recently offered	8.48(12/30)	7.95(1/5)	8.65(1/13)	8.71p(2/24)
<b>Municipal</b>				
Bond Buyer Index	5.93(2/2)	5.45(11/17)	5.75(1/12)	5.65
<b>Mortgage--average yields in FNMA auction</b>				
	8.98(12/26)	8.46(1/12)	9.13(1/9)	9.35(2/20)