

Information About the Treasury Constant Maturity Yield Series

Yields on Treasury securities at constant maturity, which have just been introduced into the Federal Reserve Board's H.15 and G.13 statistical releases, are constructed daily by the Treasury Department. To obtain these yields, personnel at the Treasury Department construct a yield curve each day based on the closing market bid yields of actively traded Treasury securities. Yield values are then read from the yield curve at fixed maturities -- presently 1, 2, 3, 5, 7, 10, and 20 years.

Constant maturity yield series have been constructed by the Treasury Department since 1962 for maturities of 1, 3, 5, 10, and 20 years. The 7-year series began in July 1969; and the 2-year series, in June 1976. The Federal Reserve Board has recently constructed comparable data for the period April 1953 to December 1961. As a result, continuous monthly constant maturity yield series (averages of daily data) now exist for five of the maturities for nearly a 24-year period. Copies of the back data, which are in the process of being rechecked, will be sent to you in two months or so.

For many years, the Federal Reserve Board has published three yield series for Treasury securities -- 9-12 month, 3-5 year, and long-term (10 years and over) -- in both the H.15 and G.13 releases. Unfortunately, these series, which are simply unweighted averages of closing bid yields on all marketable Treasury securities in those three maturity ranges, have become seriously flawed. In particular, the 3-5 year and the long-term series include yields on low-yield, deep discount Treasury bonds (sometimes referred to as "flower bonds") which have special Federal estate tax privileges. As a result, the long-term yield series has now fallen roughly 100 basis points or so below yields on recently issued marketable Treasury bonds.

The constant maturity yield series constructed by the Treasury Department are considered by the Federal Reserve Board now to be much better measures of conditions in the Government securities market than are the three yield series constructed by the Board. Therefore, the Board plans to discontinue the latter three series. To give users ample time to adjust, however, the Board's three yield series for Treasury securities will continue to be published for another year or so; after that, they will no longer be constructed. 1/

1/ A monthly series very similar to the Board's long-term Treasury yield series will continue to be published in the Treasury Bulletin. (In the December 1976 Treasury Bulletin, see the yield series labelled "Treasury bonds", in Table AY-1, p. 69.) Between 1960 and 1970, these two series differed month-by-month only once by as much as 2 basis points; since 1971, they have differed by at most 5 basis points. Differences between the two series result primarily from their different treatments of new bond issues. The Board's long-term series introduces a new bond into the average only after the bond has been issued; the Treasury Bulletin series introduces it perhaps a week or so earlier, as soon as the bond is traded on a when-issued basis.



FEDERAL RESERVE

statistical release

G.13

SELECTED INTEREST RATES AND BOND PRICES (Yields in per cent per annum)*

For Immediate Release
February 2, 1977

Instruments	Weekly					Monthly	
	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29	Dec.	Jan.
Federal funds (effective rate) <u>1/</u>	4.66	4.47	4.55	4.65	4.72	4.65	4.61
Commercial paper (prime, 90 to 119 days)	4.63	4.63	4.73	4.75	4.78	4.66	4.72
Commercial paper (prime, 4 to 6 mos.)	4.65	4.63	4.75	4.75	4.83	4.70	4.74
Finance paper placed directly (3 to 6 mos.)	4.50	4.50	4.60	4.70	4.75	4.56	4.64
Bankers' acceptances (prime, 90 days)	4.65	4.70	4.80	4.84	4.87	4.62	4.81
Prime loan (large business prime rate-majority)	6.25	6.25	6.25	6.25	6.25	6.35	6.25
Discount rate (Federal Reserve Bank of New York)	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Yields on U. S. Government securities <u>2/</u>							
Auction Average (Issue date):							
3-month bill	4.296	4.407	4.613	4.668	4.700	4.354	4.597
6-month bill	4.474	4.555	4.803	4.868	4.905	4.513	4.783
1-year bill			4.728				
Market Yields:							
3-month bill	4.34	4.49	4.58	4.65	4.72	4.35	4.62
6-month bill	4.51	4.64	4.79	4.86	4.97	4.51	4.83
1-year bill	4.62	4.76	4.93	5.08	5.18	4.64	5.00
Treasury constant maturities <u>3/</u>							
1-year	4.87	5.02	5.22	5.38	5.50	4.89	5.29
2-year	5.37	5.53	5.85	6.01	6.15	5.38	5.90
3-year	5.71	5.83	6.20	6.33	6.48	5.68	6.22
5-year	6.14	6.24	6.59	6.65	6.80	6.10	6.58
7-year	6.42	6.59	6.97	6.99	7.09	6.37	6.92
10-year	6.83	6.92	7.24	7.29	7.36	6.87	7.21
20-year	7.23	7.26	7.50	7.54	7.59	7.30	7.48
Coupon issues due in: <u>4/</u>							
9 to 12 months	4.88	5.06	5.33	5.43	5.51	4.92	5.34
3 to 5 years	5.98	6.12	6.48	6.57	6.71	5.96	6.49
10 years or more (long-term) <u>5/</u>	6.37	6.42	6.62	6.73	6.88	6.39	6.68
Price of long-term Treasury bonds <u>5/</u> <u>6/</u>	62.20	61.82	60.17	59.36	58.16	62.05	59.73
Average yields on corporate bonds (Moody's)	8.40	8.37	8.39	8.43	8.46	8.47	8.41
Aaa	7.91	7.88	7.94	7.99	8.01	7.98	7.96
Baa	9.09	9.06	9.07	9.08	9.11	9.12	9.08
State and local government Aaa (Moody's)	5.04	5.01	5.10	5.13	5.17	5.07	5.10

1/ 7-day average for statement week ended on preceding Wednesday. 2/ Bills quoted on bank discount basis.
3/ Yields on actively traded issues adjusted to constant maturities. Source: U. S. Treasury Department.
4/ Unweighted average of all issues outstanding. 5/ Bonds neither due nor callable in less than 10 years.
6/ Derived from "long-term" yield above on the basis of an assumed 20-year bond with a 3 per cent coupon.
 *Averages of daily figures except for state and local governments, which are based on Thursday figures.

INTEREST RATES
(Yields in per cent per annum)

G.13 continued
February 2, 1977

Daily Jan. 1977	Federal funds	Comm. paper 90-119 days	U. S. Government Securities ^{1/}											Coupons due in:	
			3-mo. bill	6-mo. bill	1-yr. bill	Treasury constant maturities						3-5 yrs.	Over		
						1-yr.	2-yr.	3-yr.	5-yr.	7-yr.	10-yr.			20-yr.	
3	4.89	4.63	4.39	4.54	4.66	4.88	5.42	5.73	6.16	6.50	6.84	7.20	6.02	6.35	
4	4.71	4.63	4.49	4.63	4.75	5.00	5.50	5.78	6.19	6.56	6.90	7.22	6.08	6.38	
5	4.30	4.63	4.47	4.60	4.71	4.96	5.48	5.79	6.18	6.54	6.88	7.23	6.08	6.39	
6	4.59	4.63	4.50	4.64	4.75	5.01	5.57	5.88	6.23	6.59	6.93	7.28	6.13	6.44	
7	4.62	4.63	4.62	4.80	4.94	5.24	5.68	5.99	6.42	6.76	7.07	7.36	6.29	6.52	
10	4.66	4.63	4.61	4.80	4.91	5.21	5.79	6.14	6.60	6.99	7.20	7.49	6.45	6.60	
11	4.70	4.75	4.60	4.80	4.94	5.24	5.87	6.25	6.68	7.06	7.28	7.52	6.52	6.62	
12	4.07	4.75	4.57	4.78	4.92	5.20	5.84	6.18	6.60	6.98	7.26	7.51	6.51	6.64	
13	4.60	4.75	4.52	4.72	4.87	5.14	5.79	6.11	6.50	6.86	7.18	7.46	6.43	6.59	
14	4.60	4.75	4.61	4.85	5.02	5.31	5.96	6.30	6.59	6.96	7.28	7.51	6.51	6.66	
17	4.80	4.75	4.65	4.88	5.07	5.35	5.98	6.29	6.60	6.96	7.28	7.54	6.52	6.68	
18	4.71	4.75	4.69	4.91	5.14	5.42	6.04	6.38	6.70	7.06	7.34	7.56	6.60	6.74	
19	4.64	4.75	4.63	4.82	5.04	5.36	6.02	6.32	6.64	6.98	7.28	7.54	6.55	6.72	
20	4.64	4.75	4.63	4.85	5.06	5.36	6.01	6.31	6.64	6.97	7.26	7.54	6.57	6.75	
21	4.68	4.75	4.65	4.86	5.09	5.39	6.02	6.36	6.68	7.00	7.28	7.52	6.60	6.75	
24	4.79	4.75	4.71	4.93	5.17	5.47	6.09	6.44	6.77	7.04	7.34	7.57	6.68	6.81	
25	4.70	4.75	4.70	4.91	5.14	5.44	6.08	6.40	6.74	7.01	7.32	7.56	6.65	6.82	
26	4.89	4.75	4.71	4.92	5.15	5.45	6.09	6.40	6.76	7.02	7.33	7.57	6.66	6.83	
27	4.70	4.75	4.77	5.06	5.23	5.57	6.26	6.60	6.88	7.20	7.43	7.65	6.80	6.93	
28	4.62	4.88	4.73	5.04	5.23	5.55	6.22	6.54	6.86	7.16	7.40	7.62	6.78	7.03	
31	4.65	4.75	4.72	5.02	5.23	5.56	6.18	6.50	6.83	7.16	7.40	7.61	6.76	7.06	

^{1/} Bills quoted on a bank discount basis.