

Prefatory Note

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January 23, 2004

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

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	2003	Q2 2003	Q3 2003	Q4 2003	Nov. 2003	Dec. 2003	Level, Dec. 2003 (\$ billions)
Total							
1. Adjusted¹	5.9	11.6	4.6	-.4	9.4	-4.5	5,966
2. Reported	5.6	11.7	2.5	.0	7.9	-2.3	6,159
<i>Securities</i>							
3. Adjusted ¹	9.0	19.1	-3.6	6.0	26.9	-2.9	1,633
4. Reported	7.6	18.7	-10.2	6.8	19.9	4.5	1,826
5. Treasury and agency	8.6	29.2	-15.3	2.7	22.8	-.9	1,101
6. Other ²	6.1	2.7	-2.1	13.4	15.8	12.4	726
<i>Loans³</i>							
7. Total	4.8	8.9	7.7	-2.8	2.9	-5.1	4,333
8. Business	-8.9	-7.0	-13.9	-9.7	-4.8	-5.3	877
9. Real estate	11.0	11.6	18.4	-1.8	-8.4	-1.4	2,216
10. Home equity	30.8	28.1	24.1	30.9	35.2	32.9	281
11. Other	8.7	9.6	17.7	-6.0	-14.2	-6.2	1,935
12. Consumer	6.2	2.0	6.9	12.5	57.2	6.5	634
13. Adjusted ⁴	6.2	5.3	4.0	8.5	35.8	1.7	999
14. Other ⁵	4.8	32.5	4.5	-11.2	1.4	-29.7	607

Note. Data are adjusted to remove estimated effects of consolidation related to FIN 46 and for breaks caused by reclassifications. Monthly levels are pro rata averages of weekly (Wednesday) levels. Quarterly levels (not shown) are simple averages of monthly levels. Annual levels (not shown) are levels for the fourth quarter. Growth rates are percentage changes in consecutive levels, annualized but not compounded.

1. Adjusted to remove effects of mark-to-market accounting rules (FIN 39 and FAS 115).

2. 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.

3. Excludes interbank loans.

4. Includes an estimate of outstanding loans securitized by commercial banks.

5. Includes security loans and loans to farmers, state and local governments, and all others not elsewhere classified. Also includes lease financing receivables.

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Selected Financial Market Quotations
 (One-day quotes in percent except as noted)

Instrument	2002	2003		2004	Change to Jan. 22 from selected dates (percentage points)			
	Dec. 31	June 24	Dec. 8	Jan. 22	2002 Dec. 31	2003 June 24	2003 Dec. 8	
<i>Short-term</i>								
FOMC intended federal funds rate	1.25	1.25	1.00	1.00	-.25	-.25	.00	
Treasury bills ¹								
3-month	1.20	0.81	0.91	0.86	-.34	.05	-.05	
6-month	1.21	0.82	1.01	0.94	-.27	.12	-.07	
Commercial paper (A1/P1 rates)								
1-month	1.28	0.91	1.02	1.00	-.28	.09	-.02	
3-month	1.36	0.88	1.04	-	-	-	-	
Large negotiable CDs ¹								
1-month	1.34	0.96	1.10	1.03	-.31	.07	-.07	
3-month	1.31	0.93	1.10	1.05	-.26	.12	-.05	
6-month	1.32	0.92	1.17	1.10	-.22	.18	-.07	
Eurodollar deposits ²								
1-month	1.30	0.94	1.08	1.02	-.28	.08	-.06	
3-month	1.30	0.91	1.08	1.04	-.26	.13	-.04	
Bank prime rate	4.25	4.25	4.00	4.00	-.25	-.25	.00	
<i>Intermediate- and long-term</i>								
U.S. Treasury ³								
2-year	1.60	1.14	1.93	1.64	.04	.50	-.29	
10-year	4.09	3.46	4.44	4.12	.03	.66	-.32	
30-year	4.96	4.53	5.27	5.00	.04	.47	-.27	
U.S. Treasury 10-year indexed note	2.32	1.70	1.96	1.76	-.56	.06	-.20	
Municipal revenue (Bond Buyer) ⁴	5.16	4.89	5.19	4.94	-.22	.05	-.25	
Private instruments								
10-year swap	4.22	3.67	4.65	4.38	.16	.71	-.27	
10-year FNMA ⁵	4.49	3.84	4.75	4.41	-.08	.57	-.34	
10-year AA ⁶	5.06	4.13	5.08	4.77	-.29	.64	-.31	
10-year BBB ⁶	6.45	5.16	5.78	5.40	-1.05	.24	-.38	
5-year high yield ⁶	11.45	8.95	7.97	7.55	-3.90	-1.40	-.42	
Home mortgages (FHLMC survey rate) ⁷								
30-year fixed	5.93	5.21	6.02	5.66	-.27	.45	-.36	
1-year adjustable	4.01	3.51	3.77	3.62	-.39	.11	-.15	
Stock exchange index								
Stock exchange index	Record high		2003		2004	Change to Jan. 22 from selected dates (percent)		
	Level	Date	June 24	Dec. 8	Jan. 22	Record high	2003 June 24	2003 Dec. 8
Dow-Jones Industrial	11,723	1-14-00	9,110	9,965	10,623	-9.38	16.61	6.60
S&P 500 Composite	1,527	3-24-00	983	1,069	1,144	-25.11	16.32	6.98
Nasdaq (OTC)	5,049	3-10-00	1,606	1,949	2,119	-58.03	31.98	8.73
Russell 2000	606	3-9-00	441	543	592	-2.37	34.21	8.97
Wilshire 5000	14,752	3-24-00	9,388	10,425	11,165	-24.31	18.93	7.09

1. Secondary market.
2. Bid rates for eurodollar deposits collected around 9:30 a.m. Eastern time.
3. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.
4. Most recent Thursday quote.
5. Constant maturity yields estimated from Fannie Mae domestic noncallable coupon securities.
6. Derived from smoothed corporate yield curves estimated using Merrill Lynch bond data.
7. For week ending Friday previous to date shown.

NOTES:

June 24, 2003, is the last day before the most recent policy easing.
 December 8, 2003, is the day before the most recent FOMC meeting.