

# BLUE CHIP FINANCIAL FORECASTS

What top analysts  
are saying about  
interest rates and  
monetary policy

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## Weakening Economy, Easing Inflation, Will Speed Decline In Interest Rates

**Summary --** Deteriorating economic output, stagnant real incomes, rising unemployment and easing inflationary concerns will likely drive market interest rates and bond yields a good bit lower over the next several months, according to the consensus results of our November 26-28 survey. Aiding this decline will be at least another 50 basis point reduction in the fed funds rate and at least one half-point reduction in the Federal Reserve's discount rate from its current 7.0 percent level. Though a scramble to lock in year-end financing and Persian Gulf saber rattling may make for volatile markets for a time, the trend toward lower interest rates seems firmly in place until at least late next year (see top of page 2 for a summary of all forecasts).

**On Interest Rates --** Since our last survey, the entire yield curve has shifted downward as evidence mounted that the longest peacetime expansion in American history had probably come to an end sometime this fall. The Fed signaled its concern about signs of economic weakening by cutting its target for the overnight cost of bank funds another 25 basis points to 7.5 percent. Long-term market yields, too, fell and are now some 50 basis points below their late September highs.

Considering all the talk of recession, and the rapidity at which paper is being downgraded, it is surprising that spreads between Treasuries and corporate notes and bonds, or even between high-rated and lower-rated private paper, haven't widened by more than they have to date. Perhaps the abundance of below-investment-grade paper in existence today, compared with past periods, is absorbing the brunt of portfolio managers' concerns about quality. That could change rapidly, however, as the recession unfolds in coming months, calling into question the soundness of paper now assumed to be relatively risk free and finally producing the sorts of spreads seen in prior recessions.

In the process of being priced into the markets is another 25-basis point reduction in the fed funds, probably combined with a cut in the Fed's discount rate. It's likely the preference of the Fed to put off a discount rate cut until it is convinced that overseas interest rates, too, have peaked and are headed lower, thus alleviating the likelihood of renewed downward pressure on the dollar. But increasing strains in the banking system and signs of an even more rapid deceleration in economic activity than now assumed, may ultimately overcome Fed concern about the greenback.

Actually, the case for lower overseas interest rates is a good one. In addition to the U.S., it appears that the economies of Canada, Australia and the U.K. have all

slipped into recession and that in continental Europe, growth is decelerating much faster than was assumed just weeks ago. A world-wide slowdown in private-sector credit demand would help eliminate some of the competition for the funds that will be necessary to finance America's budget deficit and the cost of German reunification.

**Key Assumptions --** The consensus now shows Real GNP contracting at an annualized rate of 1.3 percent in the current quarter -- by 0.7 percent in the first quarter of 1991. GNP is expected to turn positive in the second quarter of next year, but not by much, expanding at an annualized rate of just 0.5 percent. By the second half of 1991, economic output is expected to become more robust, expanding by 1.6 percent and 2.3 percent, respectively, in the third and fourth quarters of next year. As economic clouds darkened, inflationary prospects for next year brightened. Though consumer price inflation is expected to remain slightly in excess of 5.0 percent during the first quarter of 1991, the consensus now sees a generalized decline back to the 4.0 percent level by spring. Keep in mind, however, that this view hinges to a large extent on an end to the Persian Gulf crisis within the next few months, by either diplomatic or military means. This month's consensus also indicates that the dollar's sharp decline is about to end, paving the way for a nice rebound next year (see top of page 2 for specific forecasts).

**Special Questions --** An overwhelming 98 percent of the panel members expect the Fed to cut its discount rate within the next six months. Most (76 percent) expect the reduction to occur either this month or next. Just three-of-10 panel members, however, foresee more than one discount rate cut. The fact that 84 percent of the panel members now believe the U.S. economy is already in, or about to enter, a recession, is no doubt contributing to expectations of an imminent cut in the discount rate. The consensus view among those expecting a recession is that it will last 10 months, about in line with the average post-war downturn. The most pessimistic members of our panel see a downturn lasting 14 months, the least pessimistic, a 7-month contraction. Six months from now, 57 percent of the panel expect the yield curve to be more positively sloped than now. Asked when the Fed will once again begin tightening monetary policy, 18 percent of the panel said the third quarter of 1991, 25 percent the fourth quarter and 32 percent said not until the first quarter of 1992 (see page 10 for details on this month's special questions).

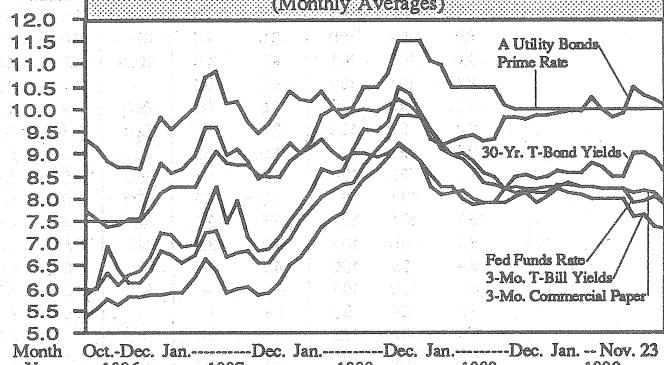
**Contributor's Corner --** This month's interview was with Dr. David H. Resler, Chief Economist, Nomura Securities International, Inc. in New York (see pages 8-9).



## Summary Of Consensus Forecasts For Interest Rates, Yields and Key Assumptions

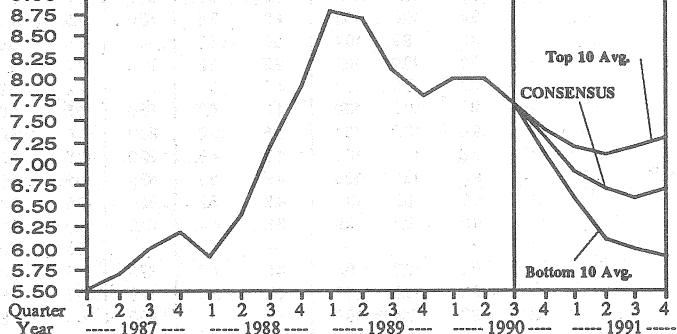
Interest Rates and Yields <sup>1</sup>	Actual For:			CONSENSUS—Quarterly Avg.					Key Assumptions <sup>1</sup>	CONSENSUS—Quarterly Avg.					
	Week of: 11/21/90	Month <sup>2</sup> Nov '90	3Q <sup>3</sup> 1990	4Q 1990	1Q 1991	2Q 1991	3Q 1991	4Q 1991		4Q 1990	1Q 1991	2Q 1991	3Q 1991	4Q 1991	
Prime Rate	10.0	10.0	10.0	9.9	9.4	9.1	9.1	9.1	Money Supply—M1 <sup>4</sup>	5.4	4.2	4.9	5.3	5.5	5.5
LIBOR 3-mo.	8.2	8.1	8.0	8.0	7.5	7.3	7.2	7.2	Money Supply—M2 <sup>4</sup>	4.1	4.2	5.2	5.6	5.7	5.7
Federal Funds Rate	7.8	7.9	8.2	7.7	7.3	7.0	7.0	7.0	Trade-Weighted \$ <sup>5</sup>	83.8	83.1	82.1	82.2	83.1	84.4
Commercial Paper 1-mo.	7.8	7.9	8.0	7.8	7.3	7.1	7.1	7.1	Real GNP <sup>6</sup>	1.7	-1.3	-0.7	0.5	1.6	2.3
Treasury Bill Yield 3-mo.	7.3	7.3	7.7	7.3	6.9	6.7	6.6	6.7	GNP Implicit Deflator <sup>6</sup>	4.0	5.3	4.8	4.1	3.9	3.9
Treasury Bill Yield 6-mo.	7.4	7.4	7.8	7.4	7.0	6.8	6.8	6.8	Consumer Prices <sup>6</sup>	6.3	7.1	5.2	4.0	4.0	4.1
Treasury Bill Yield 1-yr.	7.3	7.3	7.8	7.4	7.1	6.9	6.9	7.0							
Treasury Note Yield 2-yr.	7.6	7.6	8.1	7.7	7.4	7.2	7.2	7.3							
Treasury Note Yield 5-yr.	8.0	8.0	8.4	8.1	7.9	7.7	7.6	7.6							
Treasury Note Yield 7-yr.	8.2	8.3	8.6	8.4	8.1	7.9	7.8	7.8							
Treasury Note Yield 10-yr.	8.3	8.4	8.7	8.5	8.2	8.0	8.0	8.0							
Treasury Bond Yield 30-yr.	8.5	8.6	8.8	8.6	8.4	8.2	8.1	8.1							
Corporate Aaa Bond Yield	9.3	9.3	9.4	9.4	9.1	8.9	8.9	8.9							
A Utility Bond Yield	10.0	10.1	10.2	10.0	9.7	9.6	9.5	9.5							
Home Mortgage Rate	9.9	10.0	10.1	10.1	9.8	9.7	9.6	9.6							

Percent  
Per  
Annum

Selected Interest Rates and Yields  
(Monthly Averages)

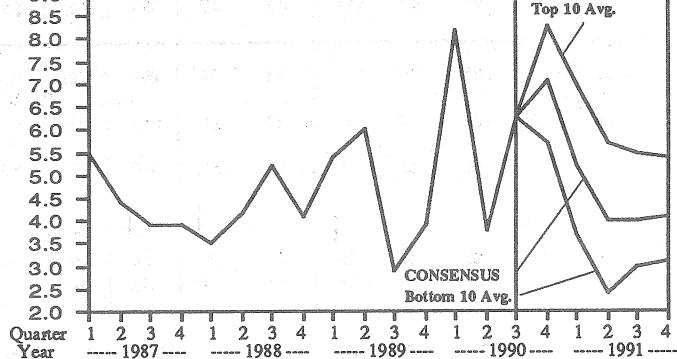
Month Year Oct.-Dec. Jan. Dec. Jan. Dec. Jan. -- Nov. 23  
Year 1986 1987 1988 1989 1990

Percent  
Per  
Annum

3-Month T-Bill Yields Blue Chip  
Forecasts

Quarter Year 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4  
1987 1988 1989 1990 1991

Percent  
Change  
(SAAR)

Consumer Price Index Blue Chip  
Forecasts

Quarter Year 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4  
1987 1988 1989 1990 1991

Latest  
Key  
Assumptions<sup>1</sup>  
Actual  
11/29/90

CONSENSUS—Quarterly Avg.						
4Q 1990	1Q 1991	2Q 1991	3Q 1991	4Q 1991		
Money Supply—M1 <sup>4</sup>	5.4	4.2	4.9	5.3	5.5	5.5
Money Supply—M2 <sup>4</sup>	4.1	4.2	5.2	5.6	5.7	5.7
Trade-Weighted \$ <sup>5</sup>	83.8	83.1	82.1	82.2	83.1	84.4
Real GNP <sup>6</sup>	1.7	-1.3	-0.7	0.5	1.6	2.3
GNP Implicit Deflator <sup>6</sup>	4.0	5.3	4.8	4.1	3.9	3.9
Consumer Prices <sup>6</sup>	6.3	7.1	5.2	4.0	4.0	4.1

1See page 9 for detailed definitions and sources of data.

2Weekly average for the month of November through the week ended November 21, 1990, FRSR, H.15.

3Average for the 3rd quarter, 1990.

4Percent change, 3 months from July, 1990, to October, 1990, (SAAR), FRSR, H.6 Table 2.

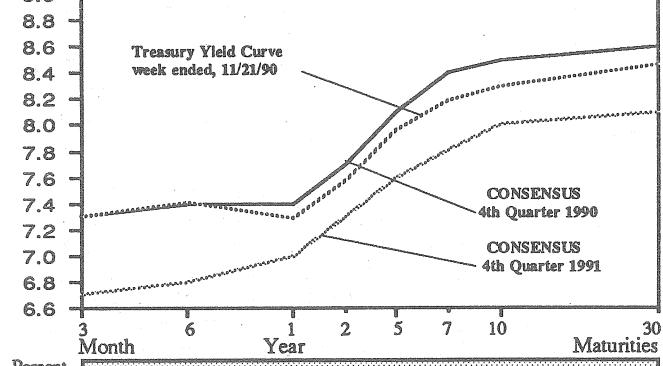
5Index average for the 3-month period, September, 1990, through, November 23, 1990 FRSR H.10 (512).

6Percent change for 3rd quarter, 1990, from prior quarter, (SAAR).

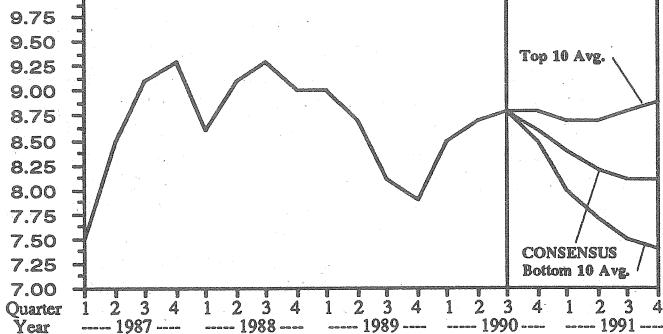
Percent  
Per  
Annum

Treasury Yield Curve

(11/21/90 Actual vs. 4Q 1990 and 4Q 1991 CONSENSUS)

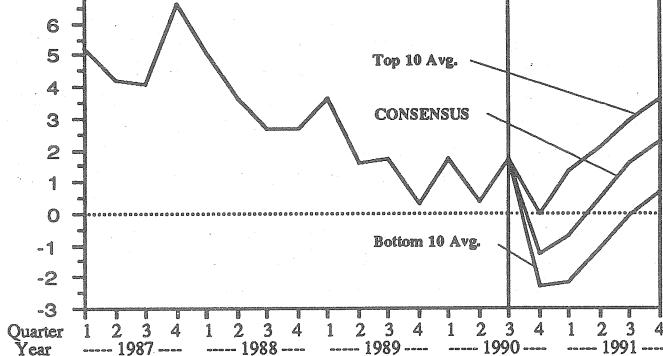


Percent  
Per  
Annum

30-Year T-Bond Yields Blue Chip  
Forecasts

Quarter Year 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4  
1987 1988 1989 1990 1991

Percent  
Change  
(SAAR)

Real GNP History Blue Chip  
Forecasts

Quarter Year 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4  
1987 1988 1989 1990 1991

## Fourth Quarter 1990

## Interest Rate Forecasts

## Key Assumptions

Blue Chip Financial Forecasts Analysts Identity Code:	PERCENT PER ANNUM															-Money Supply (Q-Q % Change) (SAAR)		Avg. For- Qtr.		---(Q-Q % Change) (SAAR)								
	Short-Term					Intermediate-Term					Long-Term					A.	B.	C.	D.	E.	F.							
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	Money Stock M1	Money Stock M2	Trade- Weight. Dollar	Real GNP	Impl. GNP	Cons. Deflat.							
	Prime Rate	LIBOR 3-Mo.	Fed Funds	Paper 1-Mo.	T- Bills 3-Mo.	T- Bills 6-Mo.	T- Bills 1-Yr.	T- Notes 2-Yr.	T- Notes 5-Yr.	T- Notes 7-Yr.	T- Notes 10-Yr.	T- Bonds 30-Yr.	Corp. Aaa B. (Seas)	A (Seas)	Util. B. (Seas)	Home Mtgs.												
O	10.0	H	8.2	7.9	7.9	7.3	7.5	7.4	7.8	8.2	8.4	8.5	8.7	9.4	10.1	10.0	4.1	4.8	83.0	-1.3	5.4	6.8						
R	10.0	H	8.2	7.7	7.7	7.3	7.4	7.4	7.6	8.1	8.3	8.4	8.5	9.4	9.9	10.0	3.5	2.5	82.0	-2.0	5.0	7.0						
BB	10.0	H	8.1	7.8	7.7	7.3	7.4	7.3	7.7	8.1	8.3	8.4	8.5	8.6	9.3	9.9	10.0	1.1	—	82.5	-1.3	4.2	7.9					
L	10.0	H	8.1	7.8	7.8	7.3	7.5	7.6	7.7	8.2	8.4	8.5	8.6	8.6	9.3	9.9	10.2	4.3	2.3	—	-1.5	7.5	8.8					
XX	10.0	H	8.1	7.7	8.0	H	7.0	7.3	7.6	7.9	8.3	8.4	8.6	8.7	9.4	10.2	10.1	—	—	83.0	1.0	H	5.8					
I	10.0	H	8.0	7.8	7.7	7.3	7.3	7.5	7.7	8.0	8.1	8.2	L	8.6	9.4	10.0	10.1	5.0	5.0	—	-0.8	7.2	8.4					
LL	10.0	H	8.0	8.0	H	7.9	7.6	H	7.6	H	7.9	8.1	8.5	8.6	8.7	9.4	10.1	10.0	5.0	5.5	83.5	-2.2	5.1	7.0				
MM	10.0	H	8.0	7.8	7.8	7.3	7.4	7.3	7.6	8.1	8.3	8.4	8.6	8.6	9.3	9.9	10.2	4.6	3.7	82.7	-2.4	4.0	7.2					
S	10.0	H	8.0	7.7	7.9	7.3	7.4	7.3	7.6	8.0	8.3	8.4	8.6	8.6	9.2	10.1	10.0	1.0	L	25	82.0	-2.0	3.9	8.0				
F	10.0	H	7.9	7.8	7.7	7.3	7.4	7.6	7.7	8.1	8.4	8.5	8.6	8.6	9.7	H	10.4	H	10.0	3.8	3.0	85.0	-1.4	4.4	7.0			
Z	10.0	H	7.8	7.6	7.9	7.1	7.2	7.3	7.7	8.1	8.4	8.5	8.6	8.6	9.4	10.2	10.2	3.5	2.5	85.0	-1.5	6.5	7.0					
GG	10.0	H	7.7	7.7	7.6	7.1	7.3	7.5	7.7	8.1	8.4	8.5	8.6	8.6	9.4	10.0	10.8	H	5.0	6.0	91.0	H	-2.0	6.0	7.5			
N	10.0	H	7.6	7.7	7.5	7.3	7.5	7.6	8.0	8.2	8.4	8.5	8.6	8.6	9.6	10.1	10.1	4.0	4.0	85.0	-0.5	4.9	6.9					
WW	10.0	H	—	7.5	7.6	7.3	7.4	7.3	7.6	8.1	8.2	8.3	8.5	8.5	8.9	L	10.2	10.0	3.0	4.0	83.0	-1.0	4.7	7.2				
W	9.9	8.3	H	7.9	7.9	7.3	7.4	7.4	7.7	8.1	8.4	8.5	8.6	8.6	9.4	10.1	10.1	4.5	4.0	82.0	-1.0	4.5	7.2					
G	9.9	8.1	7.9	7.9	7.3	7.4	7.4	7.4	7.7	8.0	8.3	8.4	8.6	8.6	9.4	10.1	10.0	4.0	5.0	—	-1.4	4.9	7.4					
H	9.9	8.1	7.8	7.9	7.3	7.4	7.4	7.6	7.6	8.0	8.3	8.4	8.5	8.5	9.3	9.9	10.2	4.6	5.6	86.0	0.4	4.1	6.0					
NN	9.9	8.0	7.8	7.6	7.3	7.5	7.7	7.7	8.1	8.4	8.5	8.7	8.7	9.4	9.9	10.1	3.0	3.0	82.0	-0.3	6.0	7.6						
QQ	9.9	8.0	7.7	7.9	7.4	7.4	7.6	7.6	7.7	8.1	8.2	8.3	8.3	L	9.4	9.6	10.1	6.0	5.5	80.0	L	-1.0	5.3	5.7				
T	9.9	8.0	7.7	7.9	7.4	7.5	7.5	7.6	8.0	8.3	8.5	8.6	8.6	9.3	9.9	10.0	5.0	4.5	85.0	0.5	5.5	7.0						
U	9.9	8.0	7.8	7.9	7.3	7.4	7.5	7.5	7.9	8.4	H	8.6	8.7	H	8.8	9.2	10.1	10.1	7.0	H	6.0	83.0	-2.0	6.0	7.5			
V	9.9	8.0	7.8	7.9	7.3	7.4	7.4	7.6	8.0	8.3	8.4	8.5	8.6	9.3	10.1	10.1	2.5	2.0	L	82.5	-1.4	4.9	3.8	L				
HH	9.9	7.9	7.7	7.8	7.3	7.2	7.2	7.2	7.8	8.3	8.5	8.6	8.6	8.6	9.3	10.0	10.1	3.4	3.2	84.0	-1.5	6.8	7.6					
I	9.9	7.9	7.6	7.5	7.0	7.2	7.3	7.6	7.8	L	8.3	8.4	8.6	8.6	9.4	9.9	10.0	4.5	4.5	85.1	-3.0	L	4.5	4.5				
P	9.9	7.9	7.8	7.8	7.2	7.3	7.3	7.6	8.0	8.4	8.5	8.6	8.6	9.4	10.0	10.1	—	—	82.0	-1.0	5.6	6.0						
Q	9.9	7.9	7.7	7.6	7.2	7.3	7.3	7.3	7.7	8.1	8.3	8.3	8.5	9.2	9.9	9.9	2.4	3.1	—	-1.6	4.5	7.9						
AA	9.9	7.8	7.7	7.7	7.3	7.4	7.4	7.6	8.1	8.3	8.3	8.5	8.5	9.2	9.9	10.0	3.0	2.0	L	82.0	-1.1	4.0	7.6					
J	9.9	7.8	7.8	7.6	7.2	7.2	7.1	7.5	8.0	8.2	8.4	8.6	8.6	9.3	10.0	10.1	3.0	3.5	83.0	-2.1	4.6	7.0						
DD	9.9	—	7.8	7.7	7.3	7.6	H	7.8	H	8.2	—	8.6	8.6	8.8	9.4	—	10.0	4.5	4.2	82.8	-2.0	4.9	7.1					
KK	9.9	—	7.8	7.9	7.3	7.5	7.4	7.7	8.2	8.4	8.6	8.6	8.7	9.4	10.1	10.1	6.1	6.2	84.0	-0.9	5.6	6.0						
OO	9.9	—	7.8	7.9	7.4	7.6	H	7.6	7.8	8.2	8.4	8.6	8.6	9.2	10.2	9.9	5.0	7.0	H	83.0	-1.2	6.5	8.0					
YY	9.9	—	7.8	7.8	7.3	7.4	7.4	7.7	8.1	8.4	8.5	8.6	8.6	9.3	10.1	10.1	6.0	5.6	83.0	-1.7	5.5	7.5						
CC	9.8	8.1	7.9	8.0	H	7.3	7.4	7.4	7.7	8.2	8.4	8.6	8.6	8.7	9.4	10.0	10.1	4.0	3.5	82.0	-1.5	4.5	6.9					
EE	9.8	8.0	7.7	7.7	7.0	7.0	7.4	7.7	8.1	8.3	8.5	8.7	8.7	9.3	9.9	10.4	5.0	5.3	—	-1.5	5.8	6.5						
JJ	9.8	8.0	7.8	7.8	7.3	7.4	7.4	7.6	8.1	8.3	8.4	8.6	8.6	9.3	10.0	10.0	22	22	81.0	-2.4	5.7	7.8						
M	9.8	8.0	7.8	7.5	7.2	7.4	7.4	7.8	8.3	8.4	8.6	8.6	9.0	H	9.7	H	9.3	L	10.5	4.7	5.3	—	-2.2	5.9	7.8			
UU	9.8	8.0	7.9	7.9	7.5	7.5	7.6	8.1	H	8.3	8.5	8.6	8.6	8.8	9.5	10.0	10.0	4.0	6.0	85.0	-0.5	6.0	7.0					
ZZ	9.8	8.0	7.7	7.8	7.3	7.4	7.3	7.6	8.0	8.3	8.4	8.5	8.5	8.9	9.4	10.2	10.1	3.5	3.0	83.0	-1.8	5.6	7.5					
A	9.8	7.9	7.9	7.8	7.2	7.3	7.4	7.6	8.0	8.3	8.4	8.6	8.6	9.3	10.1	10.0	4.9	4.6	82.0	-0.5	4.5	5.5						
K	9.8	7.9	7.7	7.7	7.4	7.5	7.5	7.7	8.2	8.5	8.6	8.6	8.7	9.4	10.1	10.0	4.9	5.1	83.0	0.5	5.5	6.5						
TT	9.8	7.9	7.8	7.8	7.4	7.5	7.6	7.9	8.2	8.4	8.6	8.6	8.8	8.8	9.3	9.8	10.3	4.8	5.2	84.0	-0.5	6.3	6.8					
SS	9.8	7.7	7.5	7.6	7.3	7.4	7.4	7.7	8.0	8.3	8.4	8.6	8.6	8.9	9.3	9.9	9.9	3.8	4.4	81.0	-1.0	5.0	7.2					
VV	9.8	—	7.6	—	7.3	7.5	7.6	7.9	H	8.4	8.6	8.4	8.6	8.6	9.4	—	—	—	—	—	-2.5	5.0	7.5					
B	9.7	8.0	7.7	7.7	7.3	7.3	7.4	7.8	8.1	8.3	8.5	8.6	8.6	9.5	10.2	9.8	L	4.0	4.0	82.0	-1.5	3.4	L	8.4				
C	9.7	7.8	7.7	7.6	7.0	7.1	7.6	8.1	H	8.3	8.7	H	8.7	8.9	9.5	10.2	10.0	5.0	3.0	82.6	-0.7	4.6	10.0	H				
E	9.7	7.8	7.8	7.7	7.2	7.2	7.1	7.6	8.0	8.3	8.4	8.6	8.6	9.2	10.4	H	10.0	—	—	80.0	L	-1.0	4.3	7.1				
Y	9.7	—	7.7	7.7	7.2	7.2	7.5	7.7	8.4	H	8.5	8.6	8.7	9.6	10.2	10.3	5.0	6.0	82.0	0.0	5.7	6.0						
D	9.5	L	7.5	L	7.3	L	7.4	L	6.8	L	6.8	L	7.3	L	7.8	L	8.0	L	8.2	L	8.5	4.0	3.5	—	-2.0	6.0	6.5	
Diffusion Index	69%	48%	30%	28%	26%	23%	18%	10%	9%	10%	9%	7%	22%	30%	26%	41%	35%	25%	30%	32%	63%							
Number Of Forecasts Changed From A Month Ago:	Down	4	15	24	27	26	29	33	38	39	38	39	41	32	26	23	19	21	24	26	24	9						
	Same	22	13	19	14	19	16	13	10	9	9	9	7	11	12</													

## First Quarter 1991

## Interest Rate Forecasts

## Key Assumptions

Blue Chip Financial Forecasts Analysts Identity Code:	PERCENT PER ANNUM															Money Supply (Q-Q-% Change) (SAAR)			Avg.-		-(Q-Q % Change)- (SAAR)		
	Short-Term					Intermediate-Term					Long-Term					For-		For-		For-			
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	A.	B.	C.	D.	E.	F.		
	Prime Rate	LIBOR 3-Mo.	Fed Funds	Paper 1-Mo.	Com. 3-Mo.	T- Bills	T- Bills	T- Bills	T- Notes	T- Notes	T- Notes	T- Bonds	Corp. (Seas)	A (Seas)	Util. B. (Seas)	Home Mtg.	Money Stock M1	Money Stock M2	Trade- Weight. Dollar	Real GNP	GNP Impl.	Cons. Price Index	
L	10.0	H	7.7	7.4	7.4	6.9	7.3	7.6	7.7	8.2	8.4	8.5	8.6	9.3	9.9	10.4	\$1 H	98 H	—	1.8	7.3 H	8.0	
XX	9.8	82 H	7.5	81 H	7.3 H	7.5 H	7.8 H	7.9 H	8.3 H	8.4	8.5	8.6	9.3	10.1	10.1	—	—	83.0	1.5	4.5	5.3		
O	9.8	8.1	7.5	7.8	7.2	7.4	7.3	7.7	8.1	8.3	8.4	8.7	9.4	10.1	9.8	4.3	4.9	83.2	-1.7	5.6	6.5		
BB	9.8	8.0	7.4	7.3	7.2	7.3	7.3	7.6	7.8	8.0	8.3	8.4	9.2	9.9	9.8	—	—	81.0	-0.5	4.4	5.9		
MM	9.8	7.8	7.3	7.5	6.9	7.1	7.1	7.3	7.6	7.9	8.0	8.1	8.9	9.5	10.0	4.9	5.9	81.8	-1.5	3.9	4.6		
N	9.8	7.1 L	7.3	7.5	7.0	7.2	7.5	7.8	8.0	8.1	8.2	8.3	9.3	9.8	9.7	5.5	5.0	86.0	1.3	3.5	3.5		
YY	9.7	—	7.4	7.4	7.1	7.2	7.2	7.5	7.9	8.2	8.3	8.4	9.1	9.9	9.8	5.3	5.7	82.1	-1.8	5.8	6.2		
K	9.6	7.7	7.5	7.5	7.2	7.3	7.3	7.5	8.0	8.3	8.4	8.5	9.3	9.9	9.8	5.0	5.3	81.0	0.5	5.0	6.0		
LL	9.6	7.5	7.5	7.7	7.2	7.2	7.6	7.5	7.8	8.2	8.2	8.3	9.2	9.8	9.9	6.5	6.7	82.0	-0.7	5.4	5.8		
P	9.6	7.4	7.4	7.4	7.1	7.3	7.2	7.5	7.8	8.3	8.4	8.6	9.4	10.0	10.0	—	—	81.0	-1.5	5.4	5.8		
KK	9.6	—	7.5	7.5	7.1	7.3	7.3	7.7	8.1	8.3	8.5	8.6	9.2	9.8	9.9	6.5	5.1	81.8	-1.6	5.8	6.8		
OO	9.6	—	7.0	7.1	6.8	7.0	7.1	7.4	7.7	7.8	8.0	8.2	8.8	9.6	9.5	7.0	8.0	80.0	-0.3	5.5	7.5		
NN	9.5	7.9	7.5	7.3	7.0	7.2	7.3	7.4	7.8	8.0	8.1	8.3	9.2	9.8	10.0	5.0	5.0	83.0	0.7	3.7	4.0		
QQ	9.5	7.7	7.3	7.5	7.0	7.0	7.1	7.2	7.8	7.9	8.0	8.0	9.2	9.4	9.8	6.0	6.0	79.0	0.0	4.5	4.2		
V	9.5	7.7	7.3	7.5	7.0	7.1	7.1	7.3	7.8	8.1	8.2	8.3	9.2	9.9	9.9	3.5	3.0 L	83.5	-1.9	5.8	5.2		
ZZ	9.5	7.7	7.3	7.5	7.0	7.1	7.1	7.3	7.7	8.0	8.1	8.2	9.1	10.0	10.0	4.5	4.5	81.0	-1.7	6.2	6.4		
H	9.5	7.6	7.3	7.4	7.1	7.1	7.0	7.4	7.7	7.9	8.0	8.1	9.0	9.6	9.9	5.4	6.2	84.8	-0.3	3.7	4.4		
B	9.5	7.5	7.3	7.2	6.8	7.0	7.1	7.5	7.9	8.2	8.3	8.5	9.5	10.1	9.5	5.0	5.0	81.0	-1.1	3.7	4.3		
GG	9.5	7.5	7.5	7.4	6.9	7.1	7.2	7.5	7.9	8.0	8.0	8.0	8.8	9.3	10.0	8.0	8.0	93.0 H	-2.0	5.0	6.5		
R	9.5	7.5	7.0	6.8	6.5	6.6	6.7	7.1	7.5	7.8	8.0	8.0	8.8	9.5	9.5	5.0	6.0	80.0	-2.0	4.0	3.0 L		
S	9.5	7.5	7.2	7.3	6.8	6.9	7.0	7.2	7.5	7.8	7.9	8.3	8.9	9.8	9.5	2.0	3.5	82.0	-1.7	4.8	4.5		
TT	9.5	7.5	7.4	7.4	7.2	7.3	7.4	7.7	8.0	8.2	8.4	8.4	8.9	9.4	10.1	5.0	5.5	84.0	-0.4	5.7	5.9		
AA	9.5	7.4	7.3	7.3	6.9	7.0	7.1	7.3	7.8	8.0	8.2	8.3	9.0	9.7	9.7	6.0	7.0	81.0	1.5	4.0	4.0		
D	9.5	7.4	7.3	7.4	6.8	6.8	6.8	7.3	7.8	8.0	8.2	8.5	9.0	9.5	10.0	4.5	4.0	—	-2.5	6.5	7.0		
HH	9.5	7.4	7.3	7.3	7.0	7.0	7.0	7.6	8.0	8.2	8.2	8.3	9.0	9.6	9.7	1.6 L	3.8	85.0	-1.5	4.5	5.1		
Z	9.5	7.4	7.2	7.5	6.8	6.9	7.0	7.4	7.8	8.1	8.2	8.3	9.1	9.9	9.9	4.0	3.0 L	83.0	-0.5	5.0	6.2		
Q	9.5	7.3	7.1	7.0	6.5	6.7	6.7	7.4	7.9	8.2	8.2	8.4	9.1	9.8	9.7	2.6	3.3	—	-2.1	4.5	5.3		
SS	9.5	7.3	7.1	7.2	7.1	7.2	7.2	7.4	7.7	8.1	8.1	8.3	9.0	9.7	9.7	4.0	5.0	83.0	0.8	4.5	5.6		
WW	9.5	—	7.3	7.5	7.1	7.2	7.2	7.4	7.9	8.3	8.4	9.0 H	9.5	10.5 H	10.0	4.0	4.0	82.0	-1.0	5.0	6.2		
W	9.4	7.9	7.3	7.5	7.0	7.1	7.2	7.4	7.9	8.1	8.2	8.3	9.1	9.9	9.8	4.8	4.3	80.0	-0.9	4.3	3.9		
I	9.4	7.5	7.1	7.0	7.0	7.0	7.1	7.6	8.0	8.4	8.5	8.7	9.6	10.0	10.1	5.0	5.5	84.5	0.5	4.0	4.0		
U	9.4	7.3	7.3	7.4	6.6	6.7	6.8	7.6	8.1	8.3	8.1	8.3	8.7	9.6	9.9	5.5	5.0	84.0	-2.0	4.0	4.0		
J	9.4	7.3	7.3	7.4	6.8	6.8	6.8	7.3	7.8	8.0	8.2	8.5	9.0	9.5	10.0	4.5	4.0	81.0	-2.2	4.2	5.1		
DD	9.4	—	7.0	6.9	6.7	6.9	7.2	7.5	8.0	—	8.4	8.6	9.4	—	9.9	4.7	4.4	79.5	-1.6	5.2	4.4		
G	9.3	7.8	7.4	7.3	6.9	7.0	7.1	7.4	7.8	8.1	8.2	8.4	9.0	9.8	9.7	5.0	5.0	—	-1.7	5.8	6.4		
UU	9.3	7.8	7.6 H	7.6	6.9	7.1	7.2	7.9 H	8.1	8.2	8.3	8.4	9.1	9.6	10.0	4.0	6.0	80.0	-0.5	5.0	4.0		
CC	9.3	7.6	7.4	7.5	6.8	6.9	7.2	7.3	7.7	7.9	8.1	8.2	9.0	9.7	9.8	4.2	4.6	80.5	1.0	4.3	3.6		
EE	9.3	7.5	7.2	7.2	6.6	6.8	7.2	7.5	7.9	8.2	8.4	8.6	9.2	9.8	10.3	5.0	5.7	—	-1.7	4.5	5.0		
F	9.3	7.4	7.2	7.1	7.1	7.3	7.4	7.2	7.6	7.9	8.2	8.2	9.3	10.0	9.8	4.5	5.0	85.0	-0.6	4.1	4.0		
JJ	9.3	7.4	7.1	7.1	7.3	6.6	6.8	6.9	7.2	7.5	7.9	8.0	8.8	9.5	9.4	5.0	5.0	81.0	-3.5 L	6.1	5.8		
M	9.3	7.3	7.3	7.3	6.8	7.0	7.2	7.3	7.6	8.2	8.3	8.5	9.0 H	9.8 H	9.3	10.5 H	3.2	4.4	—	-1.6	4.8	4.9	
T	9.2	7.5	7.2	7.3	6.8	6.9	6.9	7.0	7.3 L	7.5 L	7.7 L	7.9 L	8.6 L	9.2 L	9.4	4.5	4.0	85.0	0.5	4.5	6.0		
VV	9.2	—	7.1	—	6.9	7.1	7.2	7.5	8.2	8.4	8.3	8.4	9.2	—	—	—	—	—	-1.8	5.0	5.5		
Y	9.2	—	7.5	7.5	7.0	7.0	7.2	7.5	8.2	8.5 H	8.5	8.3	9.0	9.5	9.7	5.5	6.2	80.0	23 H	32 L	4.2		
I	9.0	7.5	7.3	7.3	7.1	7.1	7.3	7.5	7.8	7.9	8.0	8.3	9.1	9.6	9.9	5.0	5.0	—	20	4.3	3.9		
E	9.0	7.1 L	7.0	7.0	6.5	6.5 L	6.4 L	6.9 L	7.4	7.7	7.8	8.0	8.6 L	9.8	9.3 L	—	—	78.0	-0.3	4.5	3.5		
C	8.8	7.1 L	6.8 L	6.7 L	6.3 L	6.5 L	7.1	7.6	8.1	8.5 H	8.6 H	8.7	9.4	10.1	9.8	5.0	4.5	81.0	-0.9	5.9	5.0		
A	8.4 L	7.1 L	6.9	7.0	6.5	6.7	6.7	6.9 L	7.4	7.7	7.9	8.1	9.1	9.6	9.5	6.0	5.9	76.0 L	0.4	4.3	4.1		

December Avg.	9.4	7.5	7.3	7.3	6.9	7.0	7.1	7.4	7.9	8.1	8.2	8.4	9.1	9.7	9.8	4.9	5.2	82.1	-0.7	4.8	5.2	
Top 10 Avg.	9.8	7.9	7.5	7.6	7.2	7.3	7.5	7.7	8.2	8.4	8.5	8.7	9.5	10.1	10.2	6.5	6.9	85.5	1.3	6.1	7.0	
Bottom 10 Avg.	9.1	7.2	7.0	6.9	6.6	6.7	6.8	7.1	7.5	7.8	7.9	8.0	8.8	9.4	9.5	3.3	3.7	79.3	-2.2	3.8	3.7	
November Avg.	9.5	7.7	7.4	7.5	7.1	7.2	7.3	7.7	8.1	8.3	8.5	8.6	9.3	9.9	10.0	5.1	5.5	83.1	-0.4	4.9	5.2	
Number Of Forecasts Changed From A Month Ago:																						
Down	12	24	30	32	32	32	32	34	35	38	35	37	34	30	29	25	10	15	22	22	16	12
Same	28	10	17	10	12	12	12	14	11	9	12	11	12	11	13	18	23	19	14	21	21	23
Up	8	7	1	5	4	4	0	2	1	0	0	2	7	4	4	10	9	4	4	11	13	
Diffusion Index	46%	29%	20%	21%	21%	21%	15%	16%	11%	13%	11%	17%	26%	23%	28%	50%	43%	28%	31%	45%	51%	

\*See page 9 for detailed definitions of variables and sources of data.

## Second Quarter 1991

## Interest Rate Forecasts

## Key Assumptions

Blue Chip Financial Forecasts Analysts Identity Code:	PERCENT PER ANNUM															--Money Supply-- (Q-Q % Change)		--Avg.-- (SAAR)		--(Q-Q % Change)-- (SAAR)					
	Short-Term					Intermediate-Term					Long-Term					A.	B.	C.	D.	E.	F.				
	1.	2	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	Money Stock M1	Money Stock M2	Trade- Weight. Dollar	Real GNP	Impl. Deflat.	Cons. Price Index				
	Prime Rate	LIBOR 3-Mo.	Fed Funds	Paper 1-Mo.	Com. 3-Mo.	T- Bills	T- Bills	T- Bills	T- Notes	T- Notes	T- Notes	T- Bonds	Corp. (Seas)	A (Seas)	Money Stock M1	Money Stock M2	Trade- Weight. Dollar	Real GNP	Impl. Deflat.	Cons. Price Index					
L	10.2	8.1	7.8	H	7.8	7.3	7.5	H	7.7	H	8.2	H	8.9	H	9.0	H	9.1	H	9.9	H	10.6	H	10.9	H	
XX	9.8	8.2	H	7.5	8.1	H	7.3	7.5	H	7.7	H	7.9	8.1	8.2	8.3	8.4	8.2	9.2	10.0	10.0	10.0	10.0	10.0	10.0	
BB	9.6	7.8	7.3	7.2	7.0	7.2	7.2	7.5	7.8	8.0	8.3	8.3	8.3	8.3	8.3	8.3	9.1	9.1	9.7	9.7	9.7	9.7	9.7	9.7	
TT	9.6	7.6	7.5	7.5	7.4	H	7.5	H	7.6	7.9	8.2	8.4	8.6	8.6	8.7	8.7	9.2	9.7	9.7	10.1	10.1	10.1	10.1	10.1	10.1
O	9.5	8.1	7.5	7.7	7.1	7.3	7.2	7.6	8.1	8.3	8.4	8.6	8.6	8.6	8.6	8.6	9.3	10.1	9.7	9.7	9.7	9.7	9.7	9.7	
MM	9.5	7.6	7.2	7.4	6.9	7.1	7.1	7.3	7.5	7.7	7.8	7.9	7.9	7.9	7.9	7.9	8.6	9.1	9.7	9.7	9.7	9.7	9.7	9.7	
B	9.5	7.3	7.0	7.0	6.6	6.9	7.1	7.5	7.8	8.1	8.3	8.3	8.3	8.3	8.3	8.3	9.5	10.0	9.2	9.2	9.2	9.2	9.2	9.2	
AA	9.5	7.2	7.1	7.1	6.7	6.8	6.9	7.1	7.6	7.7	8.1	8.2	8.2	8.2	8.2	8.2	8.9	9.5	9.5	9.5	9.5	9.5	9.5	9.5	
N	9.5	7.1	7.3	7.5	7.0	7.2	7.4	7.1	7.3	7.3	7.4	7.4	7.4	7.4	7.4	7.4	8.5	8.5	9.0	8.8	L	6.5	7.0	8.8	
KK	9.5	—	7.5	7.5	7.0	7.2	7.2	7.6	8.0	8.1	8.3	8.5	8.5	8.5	8.5	8.5	9.1	9.7	9.7	9.7	9.7	9.7	9.7	9.7	
OO	9.5	—	7.0	7.1	6.8	7.1	7.2	7.6	7.8	7.9	8.1	8.2	8.2	8.2	8.2	8.2	8.8	9.8	9.5	9.5	9.5	9.5	9.5	9.5	
WW	9.5	—	7.3	7.5	7.0	7.1	7.1	7.4	7.9	8.3	8.4	8.7	8.7	8.7	8.7	8.7	9.2	10.4	10.0	10.0	10.0	10.0	10.0	10.0	
YY	9.5	—	7.1	7.1	6.9	7.0	7.0	7.3	7.7	8.0	8.1	8.2	8.2	8.2	8.2	8.2	8.9	9.7	9.6	9.6	9.6	9.6	9.6	9.6	
K	9.4	7.5	7.3	7.3	7.0	7.1	7.1	7.3	7.8	8.1	8.2	8.3	8.3	8.3	8.3	8.3	9.1	9.7	9.6	9.6	9.6	9.6	9.6	9.6	
LL	9.4	7.2	7.2	7.2	7.0	7.1	7.2	7.3	7.5	8.0	8.1	8.1	8.1	8.1	8.1	8.1	9.1	9.7	9.8	9.8	9.8	9.8	9.8	9.8	
I	9.3	7.3	7.0	6.9	6.9	6.9	7.0	7.7	8.2	8.5	8.6	8.7	8.7	8.7	8.7	8.7	9.7	10.2	10.2	10.2	10.2	10.2	10.2	10.2	
P	9.3	7.2	7.2	7.3	6.8	7.1	7.1	7.3	7.7	8.2	8.3	8.5	8.5	8.5	8.5	8.5	9.3	9.9	9.8	9.8	9.8	9.8	9.8	9.8	
SS	9.3	7.2	7.0	7.0	7.0	7.1	7.2	7.5	7.7	8.0	8.1	8.3	8.3	8.3	8.3	8.3	9.0	9.6	9.6	9.6	9.6	9.6	9.6	9.6	
Z	9.3	7.1	7.0	7.1	6.5	6.6	6.7	7.1	7.5	7.8	7.9	7.9	7.9	7.9	7.9	7.9	8.0	8.8	9.6	9.6	9.6	9.6	9.6	9.6	
V	9.2	7.5	6.9	7.1	6.7	6.8	6.9	7.1	7.6	7.6	7.9	8.0	8.1	8.1	8.1	8.1	9.0	9.8	9.8	9.8	9.8	9.8	9.8	9.8	
W	9.2	7.4	6.9	7.1	6.7	6.9	6.9	7.2	7.7	7.8	8.0	8.1	8.1	8.1	8.1	8.1	8.9	9.6	9.5	9.5	9.5	9.5	9.5	9.5	
HH	9.2	7.1	7.0	7.0	6.7	6.9	6.9	7.5	7.8	8.0	8.1	8.1	8.1	8.1	8.1	8.1	8.8	9.4	9.5	9.5	9.5	9.5	9.5	9.5	
NN	9.0	7.5	7.1	7.0	6.8	6.9	7.2	7.2	7.6	7.9	8.0	8.2	8.2	8.2	8.2	8.2	9.0	9.6	9.9	9.9	9.9	9.9	9.9	9.9	
ZZ	9.0	7.5	7.1	7.3	6.8	6.9	7.0	7.1	7.5	7.8	8.0	8.1	8.1	8.1	8.1	8.1	9.0	9.9	9.8	9.8	9.8	9.8	9.8	9.8	
G	9.0	7.4	7.0	6.9	6.4	6.6	6.8	7.2	7.6	7.9	8.0	8.2	8.2	8.2	8.2	8.2	8.7	9.6	9.5	9.5	9.5	9.5	9.5	9.5	
EE	9.0	7.3	7.1	7.1	6.5	6.6	7.1	7.4	7.8	8.1	8.3	8.5	8.5	8.5	8.5	8.5	9.1	9.7	10.2	10.2	10.2	10.2	10.2	10.2	
CC	9.0	7.2	7.1	7.2	6.5	6.6	7.0	7.1	7.5	7.7	7.9	8.0	8.0	8.0	8.0	8.0	8.8	9.7	9.7	9.7	9.7	9.7	9.7	9.7	
E	9.0	7.2	7.0	7.1	6.6	6.6	6.5	6.9	7.3	7.6	7.7	7.9	7.9	7.9	7.9	7.9	8.5	9.7	9.2	9.2	9.2	9.2	9.2	9.2	
M	9.0	7.2	7.0	6.7	6.8	7.1	7.3	7.6	8.1	8.2	8.3	8.3	8.3	8.3	8.3	8.3	9.0	9.8	9.3	10.5	10.5	3.2	3.4	L	
QQ	9.0	7.2	7.0	7.3	6.8	6.8	7.0	7.1	7.5	7.8	8.0	8.0	8.0	8.0	8.0	8.0	8.8	9.0	9.6	5.5	6.5	8.3	10.0	L	
D	9.0	7.1	7.0	7.0	6.5	6.5	6.6	7.1	7.6	7.8	8.0	8.3	8.3	8.3	8.3	8.3	8.8	9.3	9.8	4.5	4.5	4.5	4.5	4.5	
J	9.0	7.1	7.0	7.0	6.5	6.5	6.6	7.1	7.6	7.8	8.0	8.3	8.3	8.3	8.3	8.3	8.8	9.3	9.8	5.0	5.0	5.0	5.0	5.0	
F	9.0	7.0	6.9	6.8	7.0	7.1	7.2	7.1	7.5	7.8	8.0	8.0	8.0	8.0	8.0	8.0	9.1	9.8	9.5	4.5	4.5	4.5	4.5	4.5	
GG	9.0	7.0	7.0	6.9	6.4	6.6	6.8	7.3	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	8.3	8.8	9.6	10.0	H	7.0	7.0	9.5	
H	9.0	7.0	6.8	6.8	6.8	6.8	6.8	7.0	7.3	7.4	7.5	7.5	7.5	7.5	7.5	7.5	7.5	8.7	9.4	9.7	9.7	9.7	9.7	9.7	
JJ	9.0	7.0	6.8	7.0	6.3	6.5	6.6	6.6	6.9	7.2	7.5	7.7	7.7	7.7	7.7	7.7	7.8	8.7	9.3	9.2	5.0	5.0	5.0	5.0	5.0
Q	9.0	7.0	6.8	6.7	6.2	6.4	6.5	7.1	7.7	8.0	8.1	8.3	8.3	8.3	8.3	8.3	9.0	9.7	9.7	4.9	4.9	4.9	4.9	4.9	
R	9.0	7.0	6.5	6.3	L	5.7	L	6.0	6.4	6.9	7.3	7.4	7.5	7.5	7.5	7.5	7.7	8.6	9.2	9.3	6.0	6.0	7.0	7.0	22
S	9.0	7.0	6.7	6.7	6.2	6.4	6.5	6.3	6.9	7.3	7.4	7.5	7.5	7.5	7.5	7.5	7.5	8.6	9.5	9.5	22	22	22	22	22
U	9.0	6.9	6.8	6.9	6.0	6.1	6.2	7.1	7.6	7.8	7.8	7.8	7.8	7.8	7.8	7.8	8.0	8.6	9.5	9.2	20	L	4.0	4.0	4.0
DD	9.0	—	6.5	6.4	6.1	6.4	6.6	7.1	7.7	—	8.2	8.4	8.4	8.4	8.4	8.4	8.4	9.2	9.7	9.7	4.6	4.6	4.6	4.6	4.6
Y	9.0	—	7.2	7.2	6.7	6.7	7.2	7.2	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.7	9.2	9.5	5.7	5.7	5.7	5.7	5.7	
I	8.8	7.2	7.1	7.1	7.0	7.0	7.2	7.2	7.6	7.7	7.8	7.8	7.8	7.8	7.8	7.8	8.2	9.0	9.5	9.8	5.0	5.0	5.0	5.0	5.0
C	8.7	6.9	6.7	6.6	6.1	6.4	6.9	7.4	7.9	8.2	8.6	8.4	8.4	8.4	8.4	8.4	9.1	9.7	9.6	5.0	5.0	5.0	5.0	5.0	
UU	8.6	7.1	6.9	6.9	6.3	6.5	6.6	7.3	7.4	7.8	7.9	8.0	8.0	8.0	8.0	8.0	8.7	9.2	9.5	4.0	4.0	4.0	4.0	4.0	
T	8.5	7.0	6.7	6.8	6.3	6.4	6.5	6.6	6.9	L	7.1	L	7.3	L	7.5	L	8.2	L	8.8	L	9.0	4.5	4.0	4.0	4.0
VV	8.2	—	6.8	—	6.6	6.8	6.9	7.2	7.8	8.0	7.9	8.1	8.9	—	—	—	—	—	—	—	—	—	—	—	—
A	8.0	L	6.4	L	6.2	L	6.3	L	5.8	5.9	L	6.0	L	6.2	L	6.9	L	7.2	7.4	7.6	8.6	9.1	9.0	8.8	5.1
December Avg.	9.1	7.3	7.0	7.1	6.7	6.8	6.9	7.2	7.7</																

## Third Quarter 1991

## Interest Rate Forecasts

## Key Assumptions

Blue Chip Financial Forecasts Analysts Identity Code:	PERCENT PER ANNUM															Money Supply (Q-Q % Change)		Avg. For. Otr.		-(Q-Q % Change)-																
	Short-Term					Intermediate-Term					Long-Term					(SAAR)		(SAAR)																		
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	A.	B.	C.	D.	E.	F.															
	Prime Rate	LIBOR 3-Mo.	Fed Funds	Paper 1-Mo.	Com. 3-Mo.	T- Bills	T- Bills	T- Bills	Notes 2-Yr.	Notes 5-Yr.	Notes 7-Yr.	Notes 10-Yr.	Bonds 30-Yr.	Corp. (Seas)	A (Seas)	Money Stock M1	Money Stock M2	Trade- Weight. Dollar	Real GNP	Impl. Deflat.	Cons. Price Index															
L	11.0	H	8.6	H	8.3	H	9.0	H	7.7	H	7.9	H	8.2	H	8.7	H	9.4	H	9.5	H	9.6	H	10.4	H	11.1	H	11.5	H	7.7	9.5	H	—	3.0	62	H	6.1
TT	9.8	—	7.9	7.8	7.8	7.6	7.7	7.8	8.1	8.4	8.6	8.8	9.0	9.5	10.0	10.2	—	5.1	5.7	85.0	20	4.7	4.6													
OO	9.8	—	—	7.3	7.2	7.0	7.3	7.4	7.8	8.0	8.2	8.5	8.6	9.0	10.1	9.9	—	7.0	7.0	85.0	2.4	6.0	70	H	3.0	3.9	3.0									
M	9.5	7.6	7.5	7.3	7.3	7.3	7.4	7.4	7.9	8.2	8.3	8.5	9.0	9.8	9.3	10.5	—	3.4	3.4	L	—	3.0	3.9	3.0												
XX	9.5	7.6	7.5	7.6	7.0	7.2	7.4	7.6	7.9	8.0	8.1	8.2	9.1	9.8	9.7	—	—	—	81.0	0.5	4.4	4.4														
B	9.5	7.5	7.2	7.2	6.8	7.1	7.3	7.7	8.1	8.2	8.4	8.5	9.5	10.1	9.5	—	3.0	5.0	81.0	3.2	H	3.4	3.4													
N	9.5	7.1	7.3	7.5	6.9	7.1	7.2	7.1	7.3	7.3	7.3	7.3	8.3	8.8	8.5	L	55	6.0	90.0	3.2	H	4.1	4.1													
KK	9.5	—	7.5	7.4	7.1	7.1	7.2	7.6	7.9	8.0	8.2	8.4	9.0	9.6	9.6	—	68	72	80.5	28	3.3	4.0														
WW	9.5	—	7.3	7.5	7.0	7.1	7.1	7.4	7.9	8.3	8.4	8.7	9.2	10.3	10.0	—	50	4.0	83.0	0.5	4.5	5.0														
YY	9.5	—	7.1	7.1	6.9	7.0	7.0	7.3	7.7	8.0	8.1	8.2	8.9	9.7	9.6	—	76	6.7	81.1	25	3.3	3.7														
O	9.3	8.0	7.5	7.8	7.0	7.2	7.2	7.5	8.0	8.2	8.4	8.6	9.3	10.0	9.6	—	3.9	4.4	84.6	0.9	4.2	4.0														
BB	9.3	7.8	7.3	7.2	7.1	7.1	7.1	7.4	7.7	8.0	8.2	8.3	9.1	9.8	9.9	—	—	—	79.0	20	4.6	3.8														
MM	9.3	7.6	7.2	7.3	6.8	7.0	7.1	7.2	7.4	7.5	7.6	7.6	8.4	8.9	9.4	—	3.9	4.6	82.6	27	25	L	2.4	L												
I	9.3	7.5	7.1	7.1	7.0	7.0	7.2	7.8	8.3	8.5	8.6	8.7	9.6	10.1	10.2	—	55	6.0	85.5	1.0	4.0	4.0														
SS	9.3	7.3	7.1	7.1	7.1	7.2	7.3	7.6	7.8	8.1	8.2	8.4	9.1	9.6	9.6	—	4.4	6.0	88.0	2.4	4.4	4.8														
G	9.2	7.8	7.3	7.4	6.7	6.9	7.0	7.4	7.7	8.0	8.0	8.1	8.6	9.7	9.4	—	4.0	6.0	—	1.7	25	L	2.4	L												
EE	9.2	7.5	7.3	7.3	6.6	6.8	7.4	7.7	8.0	8.2	8.4	8.5	9.2	9.8	10.2	—	52	5.7	—	2.4	4.0	3.8														
K	9.2	7.3	7.1	7.2	6.8	6.9	6.9	7.1	7.6	7.9	8.0	8.1	8.9	9.5	9.4	—	52	5.7	77.0	1.5	4.5	5.0														
AA	9.2	6.9	6.8	6.8	6.4	6.5	6.6	6.9	7.4	7.6	8.0	8.1	8.7	9.3	9.3	—	57	6.3	82.0	2.3	3.5	3.5														
DD	9.1	—	6.9	6.7	6.4	6.7	6.9	7.4	7.9	—	8.3	8.5	9.3	—	9.8	—	4.6	4.7	78.0	25	3.9	3.8														
CC	9.0	7.5	7.3	7.4	6.8	6.9	7.3	7.4	7.8	7.9	8.0	8.1	8.8	9.7	9.7	—	52	5.5	82.0	27	3.8	4.0														
V	9.0	7.4	6.7	6.9	6.5	6.6	6.7	6.9	7.4	7.7	7.9	7.9	8.9	9.7	9.7	—	4.5	5.0	85.0	29	4.1	3.5														
ZZ	9.0	7.4	7.0	7.3	6.8	6.9	7.0	7.1	7.5	7.8	8.0	8.1	8.9	9.9	9.8	—	50	5.5	79.0	18	3.2	3.3														
E	9.0	7.3	7.0	7.2	6.7	6.7	6.9	7.3	7.6	7.7	7.9	7.9	8.5	9.7	9.2	—	—	—	80.0	1.9	4.0	4.2														
NN	9.0	7.3	6.9	6.8	6.5	6.7	7.0	7.0	7.5	7.8	7.9	8.1	8.8	9.4	9.7	—	60	6.0	80.0	1.0	3.1	3.3														
LL	9.0	7.2	7.0	7.2	7.1	7.2	7.3	7.3	7.4	7.8	8.0	8.0	9.0	9.5	9.8	—	60	6.3	81.0	26	4.3	5.2														
Q	9.0	7.2	6.8	6.8	6.3	6.6	6.7	7.4	7.9	8.2	8.3	8.5	9.2	10.0	9.9	—	52	5.9	—	1.5	3.1	3.5														
QQ	9.0	7.2	7.0	7.3	6.7	6.7	6.9	7.1	7.5	7.6	7.7	7.9	8.7	9.0	9.5	—	60	6.0	85.0	1.0	3.9	3.5														
W	9.0	7.2	6.7	6.9	6.5	6.7	6.8	7.0	7.5	7.7	7.9	8.0	8.8	9.5	9.4	—	50	4.8	82.0	1.8	3.2	3.9														
F	9.0	7.0	6.9	6.8	6.9	7.0	7.1	7.0	7.3	7.7	7.8	7.8	8.9	9.6	9.5	—	50	5.5	89.0	1.3	4.0	3.3														
P	9.0	7.0	7.0	7.0	6.6	6.9	7.0	7.2	7.5	8.1	8.2	8.4	9.2	9.8	9.6	—	—	—	82.0	1.5	5.4	5.8														
D	9.0	6.9	6.8	6.8	6.3	6.3	6.4	6.9	7.4	7.6	7.8	8.1	8.6	9.1	9.6	—	4.5	5.0	—	3.0	L	5.5	6.0													
HH	9.0	6.9	6.7	6.7	6.6	6.7	6.7	7.3	7.6	7.8	7.8	7.9	8.6	9.2	9.3	—	11.0	H	9.1	89.0	1.0	4.1	4.5													
J	9.0	6.9	6.8	6.8	6.3	6.3	6.4	6.9	7.4	7.6	7.8	8.1	8.6	9.1	9.6	—	50	5.5	80.0	1.5	3.8	4.2														
Z	9.0	6.9	6.8	7.1	6.5	6.6	6.7	7.0	7.3	7.6	7.7	7.8	8.6	9.4	9.4	—	50	5.0	80.0	0.0	3.5	3.5														
S	8.8	6.8	6.5	6.5	6.0	6.3	6.4	6.6	6.7	7.0	7.2	7.8	8.3	9.2	9.0	—	20	L	4.0	86.0	1.4	3.0	4.0													
UU	8.8	6.6	6.5	6.6	6.0	6.1	6.2	6.8	7.3	7.5	7.5	7.9	8.3	9.2	9.5	—	55	6.0	86.0	20	3.5	4.1														
I	8.7	7.2	7.0	7.1	7.0	7.0	7.1	7.5	7.6	7.7	8.1	8.9	9.4	9.7	9.7	—	50	5.0	—	1.9	4.2	4.4														
Y	8.7	—	7.2	7.0	6.5	6.5	7.0	7.0	7.7	7.7	7.7	8.4	8.9	9.2	—	55	6.0	82.0	27	3.2	3.7															
JJ	8.6	6.7	6.5	6.7	6.0	6.2	6.4	6.7	7.0	7.2	7.4	7.5	8.4	9.1	9.0	—	50	5.0	87.0	1.3	3.4	3.6														
R	8.5	7.0	6.5	6.3	5.7	6.0	6.4	6.9	7.2	7.4	7.5	7.7	8.5	9.0	9.2	—	60	7.0	78.0	-2.0	4.0	4.0														
T	8.5	7.0	6.7	6.8	6.3	6.4	6.5	6.6	6.9	7.1	7.3	7.5	8.2	8.8	9.0	—	4.5	4.0	87.0	1.5	4.0	5.0														
C	8.5	6.9	6.7	6.6	6.1	6.4	7.0	7.5	8.0	8.3	8.4	8.5	9.2	9.8	9.7	—	50	4.0	88.0	20	3.5	3.0														
H	8.5	6.7	6.5	6.5	6.4	6.5	6.5	6.7	7.0	7.1	7.3	7.3	8.5	9.3	9.4	—	61	6.9	83.0	-0.6	3.0	3.8														
GG	8.5	6.5	6.5	6.4	5.8	6.1	6.4	6.9	7.2	7.2	7.2	7.2	8.0	8.5	9.1	—	100	7.0	97.0	H	20	28	32													
VV	8.5	—	6.7	—	6.5	6.7	6.8	7.1	7.6	7.8	7.8	7.9	8.6	—	—	—	—	—	—	0.5	4.5	4.0														
A	7.7	L	6.1	L	6.0	L	6.0	L	5.4	L	5.5	L	5.6	L	5.9	L	6.5	L	6.9	L	7.1	L	7.3	8.3	8.9	8.7	95	4.4	70.0	L	12	4.0	4.0			
December Avg.	9.1	7.2	7.0	7.1	6.6	6.8	6.9	7.2	7.5	7.8	8.0	8.1	8.9	9.5	9.6	—	55	5.7	83.1	1.6	3.9	4.0														
Top 10 Avg.	9.7	7.8	7.5	7.7	7.2	7.3	7.5	7.9	8.2	8.4	8.6	8.8	9.5	10.1	10.2	—	78	7.3	88.7	29	5.0	5.5														
Bottom 10 Avg.	8.5	6.7	6.5	6.5	6.0	6.2	6.3	6.7	7.0	7.2	7.3	7.5	8.3	8.9	9.0	—	38	4.2	78.1	-0.1	29	3.0														
November Avg.	9.1	7.4	7.2	7.2	6.8	6.9	7.1	7.4	7.8	8.0	8.2	8.3	9.0	9.6	9.7	—	54	5.6	84.5	1.9	4.0	4.1														
Number Of Forecasts Changed From A Month Ago:	Down	14	25	29	30	29	31	32	28	30	27	26	28	29	27	25	9	7	20	18	13	13														
	Same	26	12	17	12	15	13																													

# Fourth Quarter 1991

## Interest Rate Forecasts

## Key Assumptions

December Avg.	9.1	7.2	7.0	7.1	6.7	6.8	7.0	7.3	7.6	7.8	8.0	8.1	8.9	9.5	9.6	7.5	5.5	5.7	84.4	2.3	3.9	4.1
Top 10 Avg.	9.8	8.1	7.8	7.9	7.3	7.5	7.7	8.0	8.4	8.6	8.8	8.9	9.7	10.3	10.4	7.6	5.7	7.2	90.6	3.6	5.1	5.4
Bottom 10 Avg.	8.4	6.6	6.4	6.5	5.9	6.1	6.2	6.6	7.0	7.2	7.3	7.4	8.2	8.8	8.9	3.9	2.8	4.4	79.1	0.7	2.8	3.1
November Avg.	9.1	7.5	7.3	7.3	6.8	7.0	7.2	7.5	7.8	8.0	8.2	8.3	9.0	9.6	9.7	5.3	3.5	5.6	85.8	2.3	4.0	4.2
<u>Number Of Forecasts Changed From A Month Ago:</u>																						
Down	19	27	30	27	28	29	30	30	29	27	28	26	26	25	23	4	5	20	14	15	11	
Same	23	10	17	16	16	17	15	16	17	16	17	19	14	10	17	26	26	14	22	25	30	
Up	6	4	1	4	4	2	3	2	2	4	3	3	8	11	7	13	12	6	12	8	7	
Diffusion Index	36%	22%	20%	26%	25%	22%	22%	21%	22%	26%	24%	26%	31%	35%	33%	60%	58%	33%	48%	43%	46%	

\*See page 9 for detailed definitions of variables and sources of data.

## CONTRIBUTOR'S CORNER

*Each month, Blue Chip Financial Forecasts asks one of its contributing panel members to explain his or her outlook for the coming quarters. On November 29, I spoke with Dr. David H. Resler, Chief Economist, Nomura Securities International, Inc. in New York City.*

--Randell E. Moore, Executive Editor

**Moore:** David, you expect the Federal Reserve to ease somewhat more aggressively over the next year than does the consensus of the panel members. Why?

**Resler:** Actually, I am surprised that's the case. Basically, I look for the Fed to move at a very slow pace when easing -- something on the order of 25 basis points every month or so until the economy begins showing some signs of recovery. Unfortunately, I've got the economy continuing to slide through at least the middle of next year. As a result, I don't expect the Fed to change its policy of easing any time in 1991.

**Moore:** I guess the major distinction then between your views and that of the consensus is that your forecasting a more prolonged period of economic weakness than is the majority of the panel members. Where is the economy most vulnerable?

**Resler:** I think weakness in consumer spending will be the main story. I think it's been in the making for a long time. In fact, it's been under way for a long time. It just gets progressively worse each and every month. Even the strength we saw in consumer spending during the third quarter was somewhat misleading. We've had weak consumer spending for a year and a half and I think one of the reasons is that slippage in housing prices has made consumers more cautious about what they spend. There's two ways you can spend money out of wealth. Knowing that you have the wealth there, you can reduce savings or spend all your current income. Or alternatively, you can borrow against your wealth. Now it so happens that there hasn't been a lot of borrowing against home values. Home equity loans are really a fairly small part of total bank lending. But there has been a lot of spending based on the perception that home values would keep going up a lot, especially during 1987 and 1988. In the Northeast, that perspective began to change, when it did, consumer spending began to slow in that region.

**Moore:** Now, California home prices are slipping.

**Resler:** They're starting to slip everywhere. There's another dimension to the housing market that I'd like to emphasize. Housing markets are not just regional. Weakness in the Northeast is contributing to weakness in certain pockets of the Southeast. My father-in-law lives outside of Savannah, Georgia, on Get-Away Island. There's been very few home sales in that development in more than a year because people who live in the Northeast and want to retire down there either can't sell their homes, or get a price they're willing to accept.

**Moore:** I assume the other major worry you have about the consumer's staying power is that inflation-adjusted income growth has turned negative.

**Resler:** In October, real disposable personal income fell to its lowest level since October 1989. So basically, consumers are no better off income-wise than they were a year ago. If you allow for the growth in population, per capita income is also down on a year-over-year basis. That doesn't bode well for consumer spending next year.

**Moore:** Is the one bright spot in the economy going to be exports, or is even that threatened by slowing growth abroad?

**Resler:** Yes, it's going to be threatened and I think there's evidence that slowing growth abroad has already begun to affect our capacity to export goods and services. For the last three months, we've experienced declines in exports of consumer goods other than automobiles. That had been the fastest growing category of our exports over the last couple of years and now it's in decline. Potentially, that's an early indication that the economies of our trading partners are slipping more than commonly perceived. Unfortunately, we can't get sufficient detail to know which economies are cutting back their imports of those items from us. I would suspect, however, that Canada and the U.K. are among them because they are the weakest economies. I reject the notion that this slowdown is going to be confined to the U.S., or even the English speaking economies. I think Europe will be dragged down into the mire along with the rest of us. Japan's economy will slow too, but perhaps avoid a recession.

**Moore:** Spreads between higher quality and lower quality industrial and utility bonds have not widened by nearly as much as during past periods when recessionary concerns were so prevalent. Why not?

**Resler:** My suspicion -- and unfortunately the data is not very good on this -- is that the extensive use of below-investment-grade debt during prior years is absorbing most of the credit quality differentials and stuff that is more traditional, though lower-rated, remains attractive.

**Moore:** So even a Baa industrial bond looks like a pretty safe investment to a portfolio manager when compared with a lot of the "junk" out there.

**Resler:** That's right. I think there's a larger proportion of below-investment-grade debt in the market today and, so far, that's what's been the focus of the credit quality questions. But if the recession is prolonged, those worries are likely to work their way up the quality scale.

**Moore:** Actually, there's been a pretty heavy schedule of corporate debt issuance in recent weeks. Does the pick-up reflect concern by corporate treasurers that if they wait, rising quality concerns could raise the cost of financing?

**Resler:** That's probably part of it, but the other part is that there are some sectors of the economy that aren't doing so poorly. There are a couple of important things to remember about recessions. Even in the worst, 90 percent of Americans don't lose their jobs and many industries fare reasonably well.

**Moore:** From peak to trough, how large a contraction in Real GNP do you expect?

**Resler:** We're still doing some fine-tuning, but probably something on the order of 2.0 percent. (cont. on page 9)

**CONTRIBUTOR'S CORNER--continued**

*Moore: A pretty typical recession of the post-war period.*

Resler: Yeah. We're actually inclined to increase our estimate of the peak to trough decline a bit. Another way of expressing what we're looking for is that the economy doesn't return to the third quarter's peak level of output until halfway through 1992.

*Moore: Is slowing economic growth and declining interest rates abroad central to your forecast of declining U.S. rates?*

Resler: It will make it both easier for our rates to come down and for the Fed to ease. I think the Fed will ease only as fast as the markets will let it. I don't see the Fed taking a strong, anti-recessionary role as it's often done in the past. As a result, I think we'll see a flatter yield curve when we're at the trough of the recession than we've had in the past.

*Moore: You also foresee a substantial rebound in the value of the dollar next year. Why?*

Resler: I think there's been a lot of heavy betting that U.S. interest rates are headed down and that the next move in overseas rates, particularly in Germany, is up. But in the next three months or so, I think a widespread perception will set in that the next movement in European rates will be down, including those in Germany. Frankly, I've been puzzled by the strength in the German d-mark over the past year. I am not as sanguine as others about Germany's ability to effectively handle the broader socio economic problems of reunification. We're seeing signs of strain already. The squatters strike two weeks ago, the 250,000 railroad workers that went on strike this week. These are problems that can't be minimized. During the post-war period, the Bundesbank has been rightfully praised for its independence and conduct of monetary policy. It enjoyed that independence and the support of the German public in pursuing relatively tight monetary policies. My question is, can we be confident that its independence will be maintained when you've got 17 million former East Germans who've lived through 45 years of deprivation and are going to be asked to live with another 10 to 15 if the Bundesbank is to maintain its past vigilance against inflation.

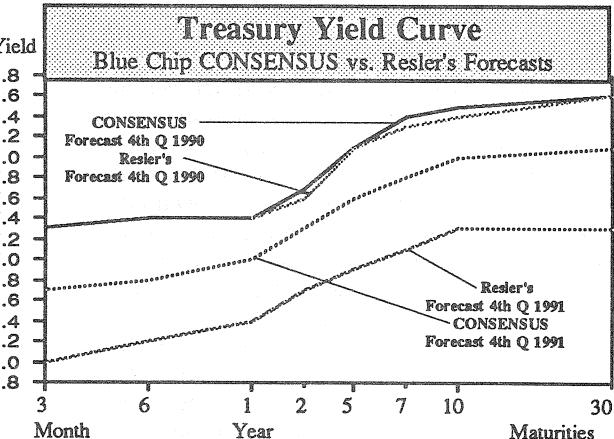
*Moore: What's the outlook for inflation in the U.S.?*

Resler: I think inflation's been licked, but government measures are masking its defeat. Housing and other asset values are off sharply. At this point of the business cycle, we've got a fundamentally different price picture than the consumer price numbers are telling us. On a year-over-year basis, commodity prices are negative. That is also true of a lot of other fixed assets like commercial and residential real estate. Yet none of these things are showing up in our price measures. The Fed has won the battle against inflation and doesn't know it. Even McDonald's is considering price cuts. In addition, labor costs are very contained. As for inflation in the service sector, I suspect we may be measuring quality changes and mixing them up with price changes, overstating service sector inflation. That may be particularly true in health services.

*Moore: I assume your advice to portfolio managers would be to lengthen the maturities of their holdings.*

Resler: Yes, maybe even look at zero coupon instruments. There's one other thing I should say. What happens in the Persian Gulf remains a major risk for my forecast and everyone else's. My assumption is that things stay pretty much the way they are now for another month or so. Oddly enough, a quick resolution of the crisis, either diplomatically or militarily, might "freeze" Fed policy because of a sharp plunge in oil prices that would make policymakers fearful of a resurgence in consumer demand. But, even if consumer demand surged for a time, I don't know if that would be enough to offset weakness elsewhere in the economy, particularly in housing. My best guess is that there will be a resolution of the Gulf crisis in a month or two and it will take the form of Hussein leaving Kuwait and declaring victory.

*Editor's Note: Resler's Blue Chip identity code is JJ.*

**DETAILED DEFINITIONS OF VARIABLES AND SOURCES OF DATA**

Col. 1 -	<b>PRIME RATE</b> - Charged by banks among their best-risk customers; Federal Reserve Statistical Release (FRSR) H.15, G.13; Economic Indicators (EI), Council of Economic Advisers, P. 30; Business Conditions Digest (BCD), U.S. Dept. of Commerce.
Col. 2 -	<b>LONDON INTERBANK OFFERED RATE (LIBOR)</b> - The interbank offered rate for 3-month dollar deposits in the London market. <i>The Wall Street Journal</i> publishes a LIBOR quote on a daily basis. Wharton Econometrics and Data Resources, Inc., have historical information on the LIBOR.
Col. 3 -	<b>FEDERAL FUNDS RATE</b> - Charged on loans of uncommitted reserve funds among banks - FRSR H.15, G.13; BCD Series 119; U.S. Financial Data, Federal Reserve Bank of St. Louis, P. 7.
Col. 4 -	<b>PRIME COMMERCIAL PAPER</b> - 1-month bank discount basis, rates on commercial paper placed for funds with bond rating of Aa or equivalent - FRSR H.15, G.13; U.S. Fin. Data, F.R.B. of St. Louis, P.6
Col. 5-6 -	<b>TREASURY BILLS 3-MONTH and 6-MONTH</b> - Auction average (investment or bond equivalent yield), FRSR H.15, G.13; U.S. Treasury Bulletin, Table 22.
Col. 7-12 -	<b>TREASURY NOTES AND BONDS</b> - 1-Year, 2-Year, 5-Year, 7-Year, 10-Year, and 30-Year - Yields on actually traded issues, adjusted to constant maturities, U.S. Treasury, FRSR H.15, G.13; F.R.B., U.S. Treasury Bulletin, Table 22.
Col. 13 -	<b>CORPORATE Aaa BONDS</b> - Seasoned (Moody's), FRSR H.15, EI P. 30.
Col. 14 -	<b>A UTILITY BONDS</b> - "Estimate of the yield on a recently - offered, A-rate Utility Bond with a maturity of 30 years and call protection of 5 years; Friday quotations," FRSR H.15.
Col. 15 -	<b>HOME MORTGAGE YIELDS (NEW)</b> - Contract interest rate on commitments for fixed rate mortgage - Federal Home Loan Mortgage Corporation; FRSR H.15, G.13.
Col. A -	<b>M1</b> - A measure of funds readily available, including cash in circulation, travelers checks and checking-type accounts in banks and other financial institutions - 3 months over prior 3 months, (SAAR) - FRSR H.6, Table 2; EI P. 26; BCD Series 85.
Col. B -	<b>M2</b> - M1 plus deposits in savings accounts, overnight RPs, money market mutual funds, etc. - 3 months over prior 3 months, (SAAR), FRSR H.6, Table 2; EI P. 26; BCD Series 102.
Col. C -	<b>TRADE-WEIGHTED DOLLAR</b> - Index of trade-weighted average exchange value of U.S. dollar against currencies of other G-10 countries. March 1973 = 100. Weights are 1972-76 global trade of each of the 10 countries. Series revised as of August 1978. FRSR H.10 (512); F.R.B., Table 3.28.
Col. D -	<b>REAL GROSS NATIONAL PRODUCT</b> - Series 50, BCD, Percent change (SAAR).
Col. E -	<b>IMPLICIT PRICE DEFULATOR</b> - Series 310, BCD, Percent change (SAAR).
Col. F -	<b>CONSUMER PRICES FOR ALL URBAN CONSUMERS</b> - Percent Change- (SAAR), Bureau of Labor Statistics.
BASIC SOURCES: EI = Economic Indicators, prepared by the Council of Economic Advisers. BCD = Business Conditions Digest, Bureau of Economic Analysis, U.S. Department of Commerce FRSR = Federal Reserve Statistical Release	

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**ANALYST IDENTITY CODE** - The letter codes following the names of the companies our panel members work for correspond with the forecasts found on pages 3-7. A few of the panel have asked that their forecasts remain anonymous. But, even these are identified by the same code each month, so readers can track their performance, as well.

## SPECIAL QUESTIONS:

1. Back-to-back 25 basis point reductions in the fed funds rate since passage of the budget deficit reduction package has fueled speculation that the next easing move by the Federal Reserve might include a cut in the discount rate from its current 7.0 percent level. We addressed such speculation by asking our panel members to respond to the following set of questions.

A. Will the Federal Reserve cut its discount rate during the next six months?

(Percent of those responding)

YES	NO
98%	02%

B. Will the discount rate be cut more than once during the next six months?

(Percent of those responding)

YES	NO
29%	61%

C. If you expect one or more cuts in the discount rate during the next six months, in which month do you expect the first reduction to occur?

(Percent of those responding)

Dec. 1990	Jan. 1991	Feb. 1991	Mar. 1991	Apr. 1991	May 1991
38%	38%	15%	05%	02%	02%

2. Will the slope of the Treasury yield curve be steeper, flatter or basically unchanged, compared with its current slope, six months from now?

(Percent of those responding)

Steeper	Flatter	Basically unchanged
57%	20%	23%

3. Is the U.S. economy currently in, or about to enter, a recession?

(Percent of those responding)

YES	NO
84%	16%

A. If yes, how many months will the recession last?

Consensus	Top 10 Average	Bottom 10 Average
10 months	14 months	7 months

4. Looking past the current economic weakness, when do you expect the Federal Reserve to reverse its present easing of monetary policy and signal a tightening of policy with an increase in its fed funds rate target?

Quarter and Year In Which The Fed Will Next Tighten Monetary Policy  
(Percent of those responding)

1991				1992				1993			
1st Q	2nd Q	3rd Q	4th Q	1st Q	2nd Q	3rd Q	4th Q	1st Q	2nd Q	3rd Q	4th Q
2%	0%	18%	25%	32%	9%	5%	5%	2%	2%	0%	