

January 30, 1974

To Our Clients

Summary of Conversation with Walter W. Heller
January 29, 1974

1. Long-term interest rates will hold steady for the next few months.
2. Short-term interest rates will decline about 200 basis points in the next two-to-three months.
3. Sharp decline in auto production and housing now being experienced will relieve major portion of capacity shortage (other than oil) in mid-year.
4. General economy will start to turn up in mid-year.
5. For full year 1974 expects flat economy.
6. Expects inflation rate of about 5% for 1975-6.
7. Concerned about construction cost increases which are expected to average 16% in 1974.
8. Essentially optimistic, except for first half of 1974.

M. Lipton