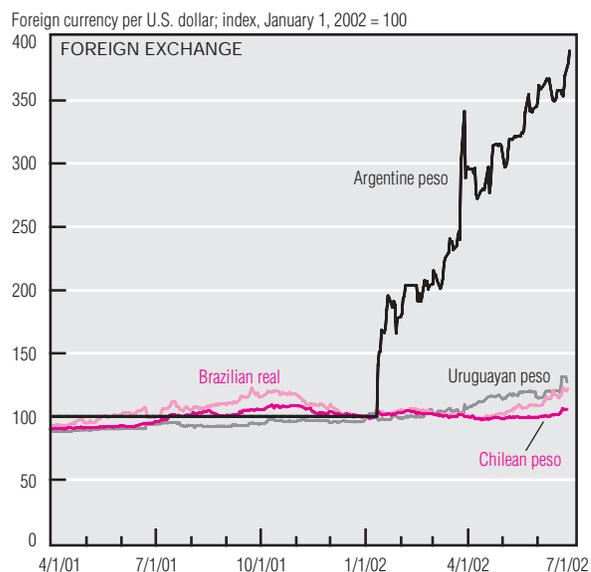
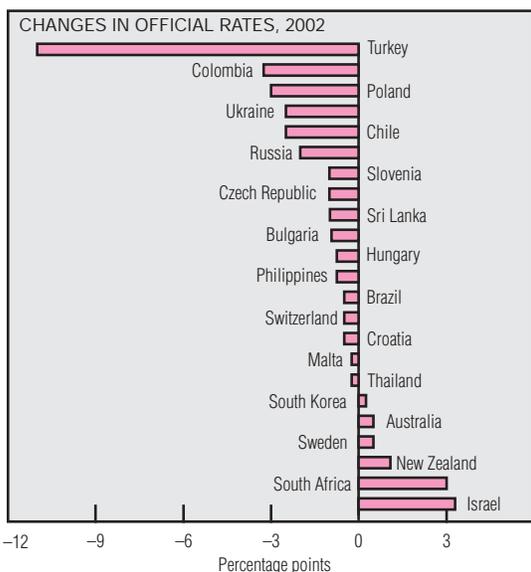
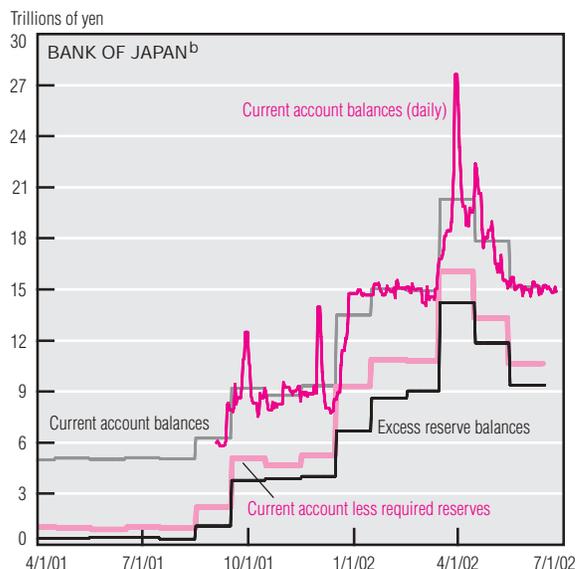
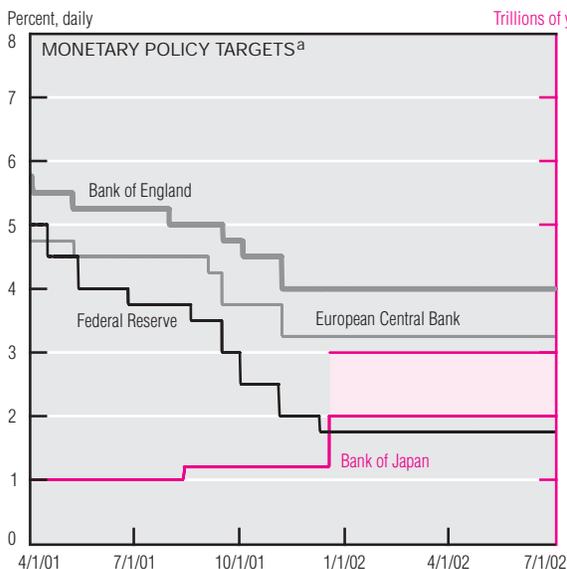


Foreign Central Banks



a. Federal Reserve: overnight interbank rate. Bank of England and European Central Bank: two-week repo rate. Bank of Japan: quantity of current account balances; since December 19, 2001, it has targeted a range for the quantity.
 b. Current account balances at the Bank of Japan are required and excess reserve balances at depository institutions subject to reserve requirements plus the balances of certain other financial institutions not subject to reserve requirements. Reserve requirements are satisfied on the basis of the average of a bank's daily balances at the Bank of Japan starting the sixteenth of one month and ending the fifteenth of the next.
 SOURCES: Board of Governors of the Federal Reserve System; Bank of Japan; European Central Bank; Bank of England; Bank of Canada; and Bloomberg Financial Information Services.

The policy settings of the four major central banks remain unchanged.

The Bank of Japan has brought its supply of current account balances within the target range after overshooting it to accommodate special liquidity needs. Throughout the bank's balance-targeting period, variations in supply have been reflected almost entirely in variations in excess reserves. The adage, "you can lead a horse to water, but you can't make it drink" seems to apply—although, in this case, the horse might become

thirsty eventually. Cautious optimism has crept into official views of Japan's economic outlook, though the weakening dollar may be tempering that view.

Repeated announcements of no change in the major banks' explicit policy settings have dominated this year's news coverage. However, many other central banks, including many in Eastern Europe, have changed their policy settings over the past six months.

Since Argentina ended official parity with the dollar early this year, its

peso has depreciated to almost four to the dollar, a rate of depreciation many times that of the Brazilian real and the Chilean and Uruguayan pesos. These nations are feeling the impact of the Argentine crisis as their exports become less competitive in Argentine markets and as Argentine imports become more competitive in their own markets. Uruguay abandoned the managed float of its peso in June, and the International Monetary Fund doubled the size of its standby credit to that nation.