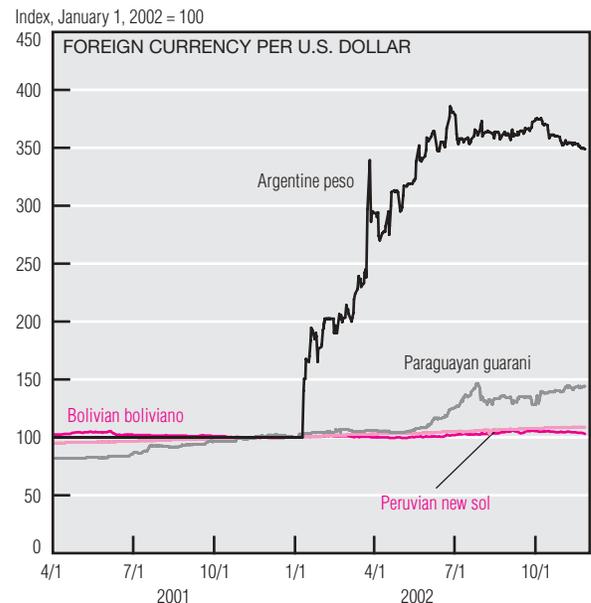
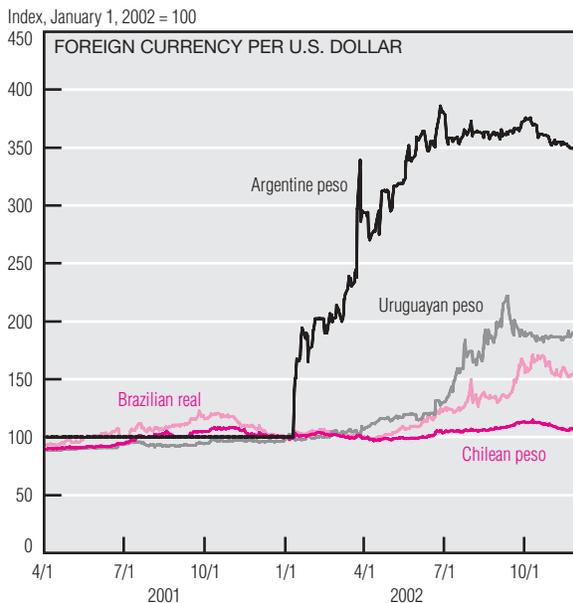
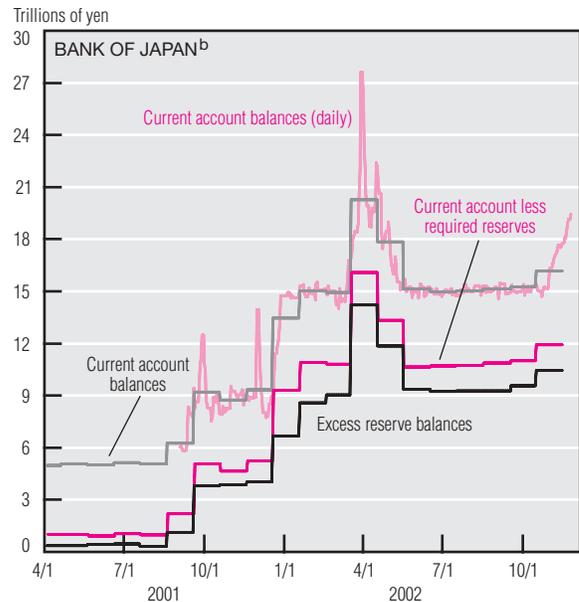
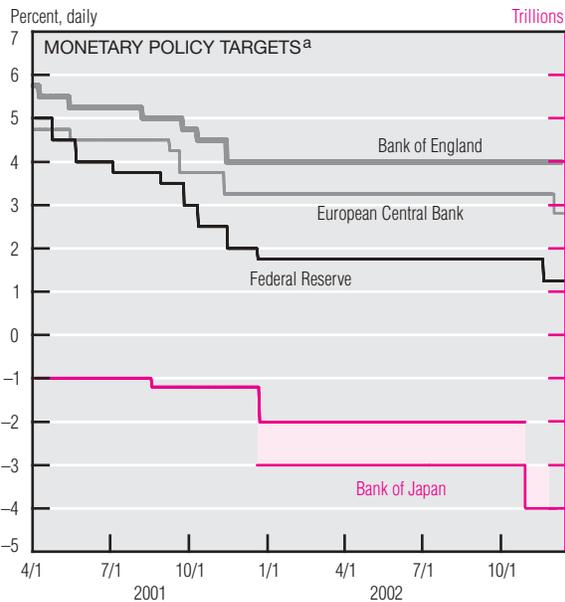


Foreign Central Banks



a. Federal Reserve: overnight interbank rate. Bank of Japan: a quantity of current account balances (since December 19, 2001, the range of a quantity of current account balances). Bank of England and European Central Bank: two-week repo rate.
 SOURCES: Board of Governors of the Federal Reserve System; Bank of Japan; European Central Bank; Bank of England; Banco Central do Brasil; and Bloomberg Financial Information Services.

On November 6, the Federal Reserve reduced its federal funds rate target 50 basis points (bp) to 1.25%. Since then, the Bank of England's Monetary Policy Committee has twice left its policy rate unchanged. Although the European Central Bank did not change its policy rate on November 7, it did cut the rate 50 bp to 2.75% on December 6. Also in November, the Bank of Japan noted reduced prospects for economic growth but left its target for the range of current account balances unchanged.

Nonetheless, the actual supply of balances, currently more than ¥19 trillion, has been moving steadily toward ¥20 trillion, the upper end of the target range.

Banco Central do Brasil raised its rate target 100 bp in mid-November. The Brazilian real seems unaffected by recent election results and by reports that President-elect Lula will appoint a new central bank president. Argentina defaulted on more than 90% of an \$805 million payment to the World Bank in October. In Argentina, inflation has moderated

somewhat, the exchange rate has strengthened a bit, and depositors now have access to previously frozen accounts (other than CDs).

The effects of the Argentine and Brazilian situations continue to plague neighboring economies. The Paraguayan central bank president resigned in frustration over congressional resistance to tax reforms needed to secure emergency aid from the International Monetary Fund. In Uruguay, five coalition cabinet ministers threatened to quit over the government's handling of the economy.