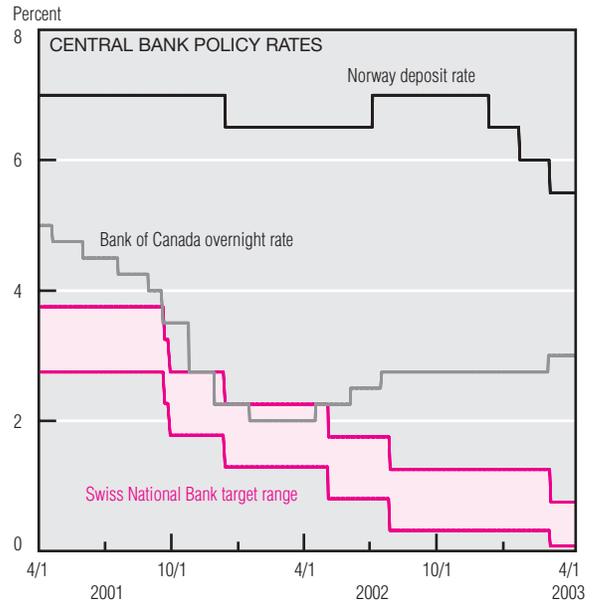
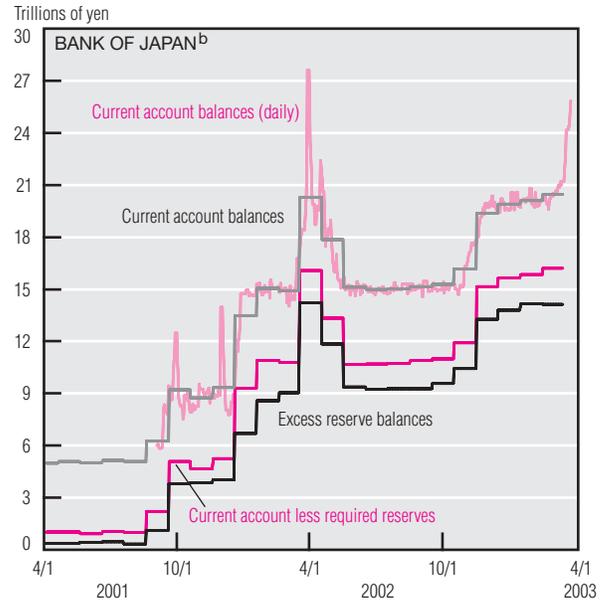
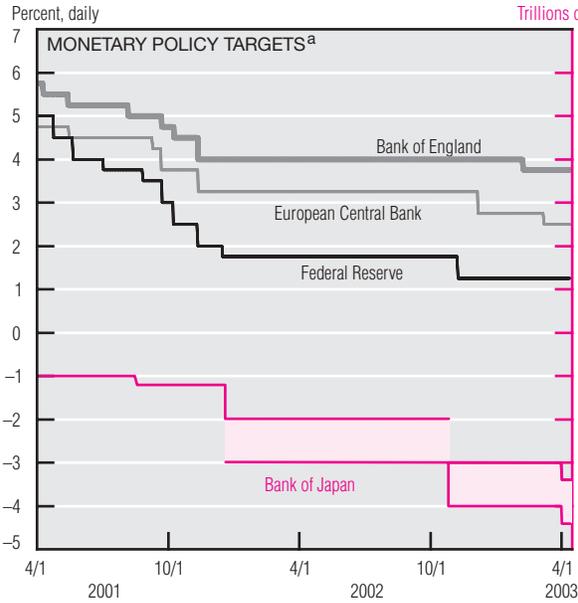


Foreign Central Banks



a. Federal Reserve: overnight interbank rate. Bank of Japan: a quantity of current account balances (since December 19, 2001, a range of quantity of current account balances). Bank of England and European Central Bank: two-week repo rate.
 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; Wholesale Markets Brokers Association; and Bloomberg Financial Information Services.

All four major central banks recently noted weaker economic conditions. However, only the Bank of Japan has changed its main policy variable since March 6, when the European Central Bank cut its rate. The Bank of Japan did increase its target for the supply of current account balances, but this helped to offset additional demand for those balances from the reorganized postal system. Japan Post has contracted to maintain an average current account balance roughly commensurate with that of a depository

institution. Otherwise, the Bank reiterated its intention of supplying sufficient liquidity to respond to any demands resulting from war in Iraq; it also suspended the limit on the number of days banks may use its lending facility. In addition, the Bank raised its maximum cumulative purchase of equities from banks' portfolios from ¥2 trillion to ¥3 trillion. With the approach of war in Iraq, the euro, U.K. pound, and Japanese yen all appreciated sharply this year relative to the U.S. dollar. The same is

true of the Canadian dollar, one of the few currencies subject to an increase in the central bank's policy interest rate. A look at two non-euro Continental policy rates emphasizes Canada's uniqueness. Although still relatively high, Norway's policy rate has been coming down. The same is true of the relatively low policy rate band in Switzerland, where the target now is a three-month LIBOR (London Interbank Offered Rate) of only 25 basis points.