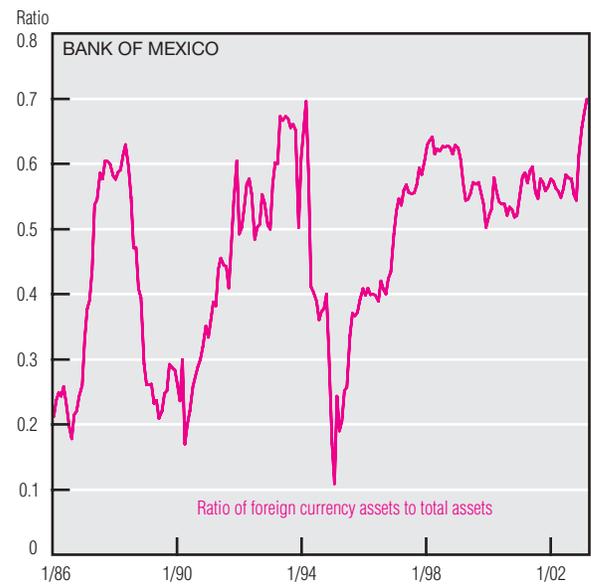
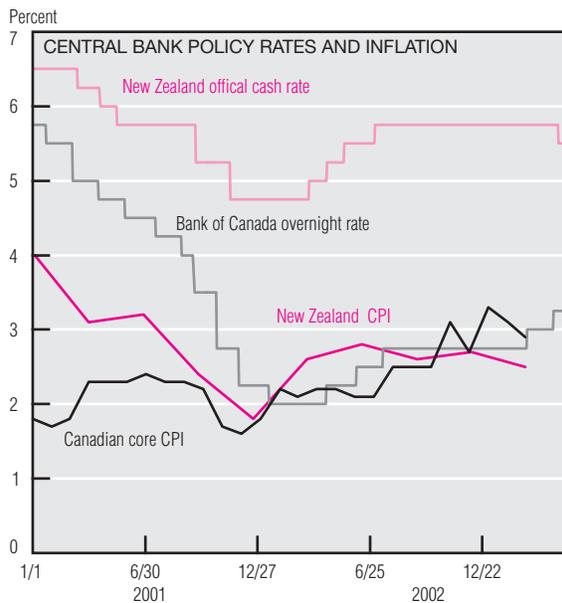
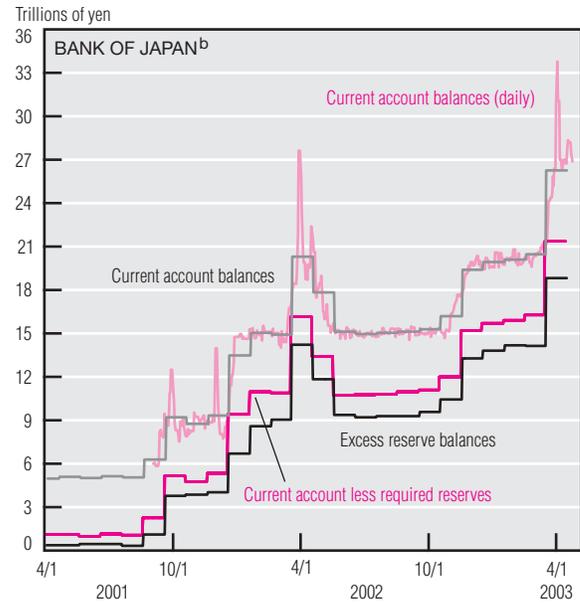
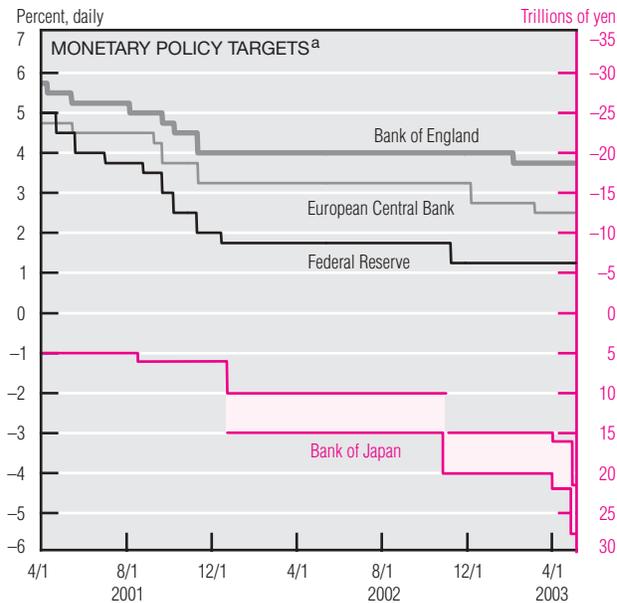


Foreign Central Banks



a. Federal Reserve: overnight interbank rate. Bank of Japan: quantity of current account balances (since December 19, 2001, a range of the 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.

The Bank of Japan, alone among the four major central banks, loosened its policy setting over the past month by an additional ¥5 trillion in current account balances. The Bank also has proposed to transact open market operations in asset-backed securities as a way to stimulate financial intermediation. There has been speculation that the Bank may seek approval to retain a larger share of its earnings as reserves, a change that is consistent with the broader range of private debt and equity securities it has been

adding to its balance sheet. The Bank appears close to the lower bound of its own accounting rule, which calls for a capital adequacy ratio (reserves plus capital divided by banknotes outstanding) of 8% to 12%.

Policy settings have changed in both Canada and New Zealand. The Bank of Canada raised its target for the overnight loan rate 25 basis points (bp) to 3.25%, citing inflation rates "well above the Bank's 2 percent inflation target" in the context of strong current domestic demand and

employment. The Reserve Bank of New Zealand reduced its official cash rate 25 bp to 5.50%. Over the past year inflation was 2.5%, within the target range of 0% to 3%. However, the Bank stated, "the weaker tradable sector is expected to feed through into reduced domestic demand elsewhere in the economy, as exporters' incomes decline."

The Bank of Mexico, whose holdings of foreign currency assets have reached very high levels, announced a plan for gradual sales of dollars.