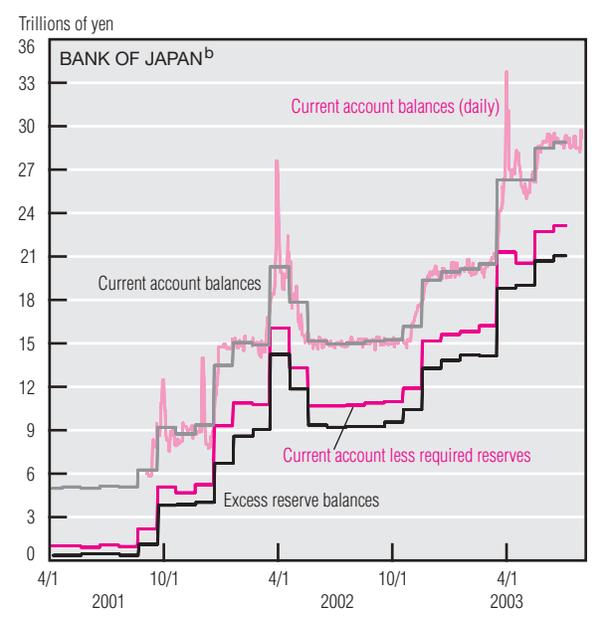
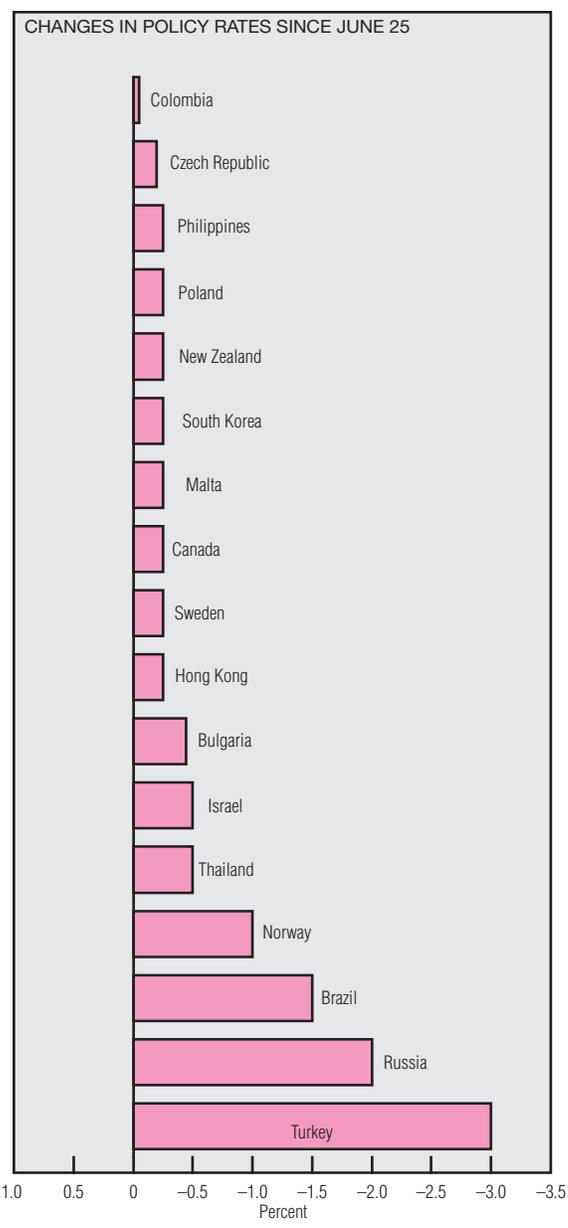
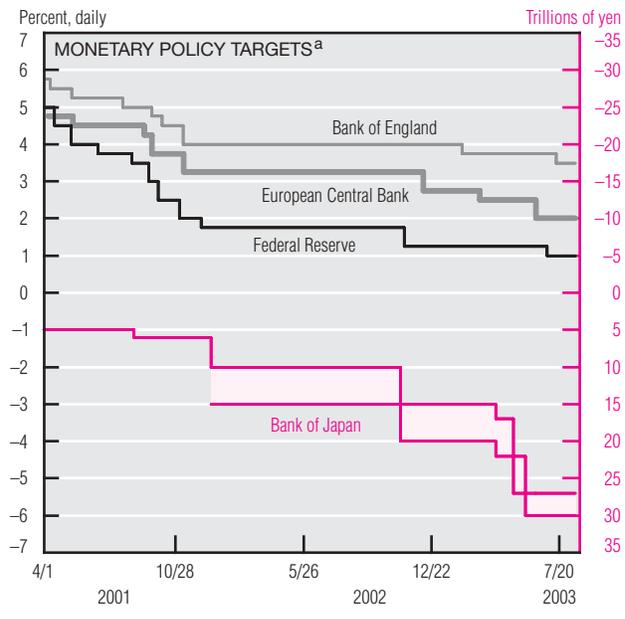


Foreign Central Banks



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 of 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 stating the sixteenth of one month and ending 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 England reduced its policy rate 25 basis points (bp) to 3.5% on July 10. None of the other three major central banks has adjusted its policy setting since the Federal Open Market Committee (FOMC) reduced its federal funds rate target to 1% on June 26. The dollar has appreciated slightly against all three other currencies during that period. Market commentary suggests that the outlook for more rapid growth in the U.S. economy has brightened, at least relative to that of

large nations in the Euro area. In turn, the Governor of the Bank of Japan remarked that, with improvement in other economies, "a cyclical upswing in Japan's economy will begin to materialize in tandem with the gradual improvement in exports and production."
 In addition to the Bank of England, no fewer than 17 rate-setting central banks loosened policy on or after June 26, as little as 5 bp (to 7.25%) in Colombia and as much as 300 bp (to 35.00%) in Turkey. Some central banks

do not calibrate policy with an interest rate, and several of these have relaxed their policy stance also. For example, the Singapore Monetary Authority re-centered its exchange rate policy band at a slightly depreciated level without changing the width of its zero-percent appreciation path. Peru's central bank reduced its cutoff auction reference rates 25 bp on July 3, about a week before its president's sudden resignation, which was said to be unrelated to monetary policy.