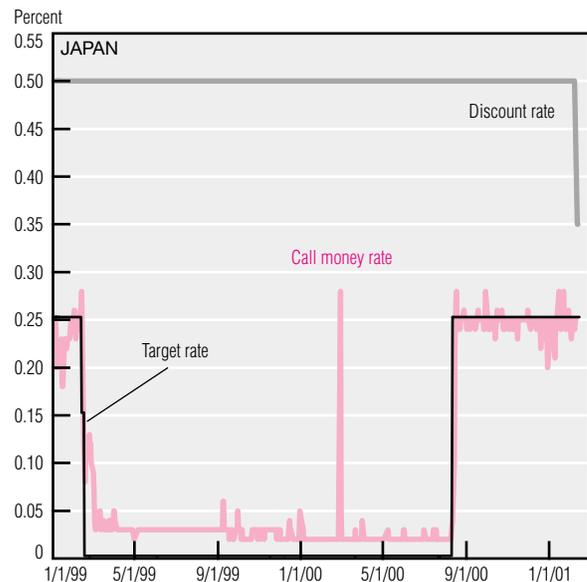
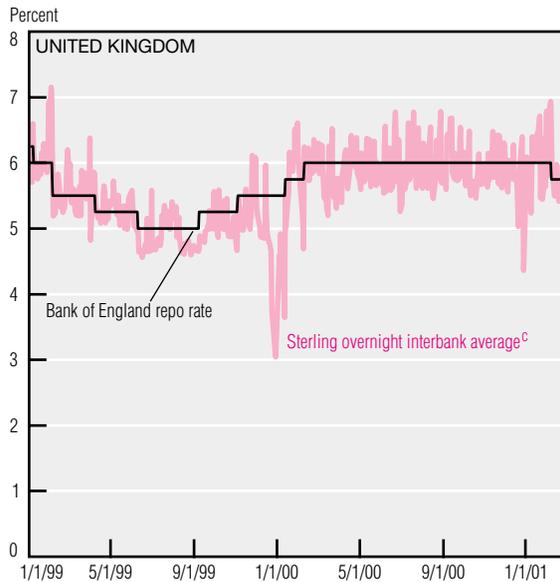
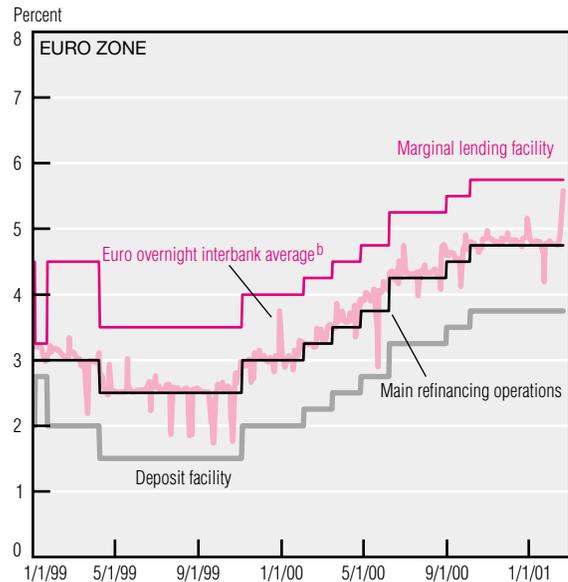
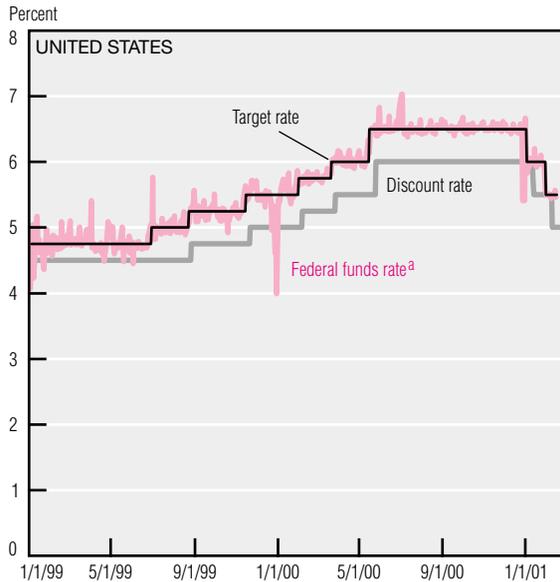


International Monetary Policy Rates



a. The weighted average rate on trades made through New York City brokers.

b. The weighted average rate on all overnight, unsecured lending transactions in the interbank market, initiated within the euro area by contributing panel banks.

c. The weighted average rate of all brokered, unsecured sterling overnight deals between money market institutions and their overseas branches, transacted between midnight and 3:30 p.m. GMT.

SOURCES: Board of Governors of the Federal Reserve System; and Wholesale Markets Brokers Association.

The central banks of other major countries have not imitated the Federal Open Market Committee's 100 basis point (bp) easing of the federal funds rate target in January. The Governing Council of the European Central Bank kept rates unchanged at its February 1 meeting, but acknowledged that "risks to price stability in the medium term now appear more balanced than at the end of last year."

At its February 8 meeting, the Bank of England's Monetary Policy Committee, seeing "inflation most likely to continue below the 2.5% target for quite a while," adopted a precautionary or grad-

ualist reduction of 25 bp in the Bank's repo (repurchase) rate. The inflation rate of 1.8% for the year ending in January remained within the allowable symmetrical 1.0% band around the 2.5% target. An inflation rate below this band would trigger a compulsory letter to the Chancellor of the Exchequer explaining the divergence from target.

The Bank of Japan left the overnight call rate target (0.25%) unchanged at its February 9 meeting. While maintaining its scenario of "moderate recovery led by private demand," the Bank noted more pronounced risk elements

"involving U.S. economic developments and stock markets." The Bank did adopt a new Lombard-type lending facility, designed to help stabilize short-term interest rates. Starting in March 2001, overnight loans will be extended at the request of eligible counterparties (banks, securities companies, *tanshi* money market dealers, and securities finance dealers) at the basic discount rate, which was reduced from 0.50% to 0.35%. The intention is to cap the overnight call loan rate when market disturbances otherwise would push it more than 10 bp above the current target.