None of the four major central banks has changed its policy setting since the Federal Reserve shaved 25 basis points from the federal funds rate target in late June. Inflation performance has remained relatively benign in the U.S., at least as measured by the personal consumption deflator. In the U.K., inflation remains near its 2.5% target, having increased each month since February. Inflation in the euro area currently exceeds the 0%-2% target zone, while the struggle against deflation continues in Japan.

Both Turkey and Brazil have attracted international concern over the past year or so because their currencies have depreciated significantly against the U.S. dollar. Turkey’s phaseout of its managed float of the exchange rate had been part of an International Monetary Fund package until February, when intense pressure on the lira led to a decision to let the exchange rate float freely. Since then, money market interest rates have declined from crisis levels. Unlike 2000, though, interest rates remain above the declining inflation rate this year, suggesting that monetary expansion may be better controlled.

Brazil’s exchange rate also has depreciated this year, although it is more in line with the depreciation of the euro and yen. Money market rates have remained above the relatively low inflation rate, as they have for many years. Brazil’s neighbor, Argentina, with its currency pegged to the U.S. dollar, had borne the brunt of dollar appreciation until dual exchange rates for non-energy exports and imports were introduced last month. In Brazil, whose major trading partners are the U.S. and Argentina, depreciation of the exchange rate has tended to insulate exports from declining demand.