In the second week of November, the Federal Reserve, the Bank of England, and the European Central Bank each cut its target interest rate 50 basis points (bp) for a total reduction of 450, 200, and 150 bp, respectively, in policy rates this year.

After adjusting for changes in measured consumer price inflation, rough indicators of real effective overnight interbank lending rates may have declined less than nominal policy rates. Including a 50 bp reduction in November, real rates have dropped about 315 bp in the U.S., 200 bp in the U.K., and 120 bp in the euro area.

A 40 bp reduction in Japan’s real effective overnight interbank rate came early this year as the Bank of Japan cut its policy rate to zero. Deflation creates a real effective rate of about 1%, higher than in the U.S. Further attempts to ease monetary policy have focused on raising the Bank’s target for the quantity of its current account balance liabilities, stated as “above Y6 trillion” since September 18. In fact, the Bank has increased the supply of current account balances about Y3 trillion (50%) over the past two reserve maintenance periods. So far, this effort has increased banks’ holdings of excess reserves—idle current account balances—without any appreciable expansion in their loans and investments.

Markets’ pessimism this year about Argentina’s ability to maintain parity between the peso and the U.S. dollar has created substantial differences between peso- and foreign-currency-denominated Argentine interest rates.