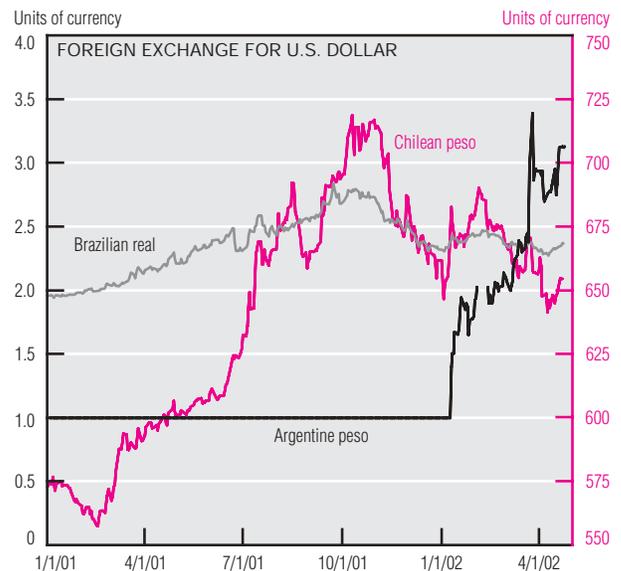
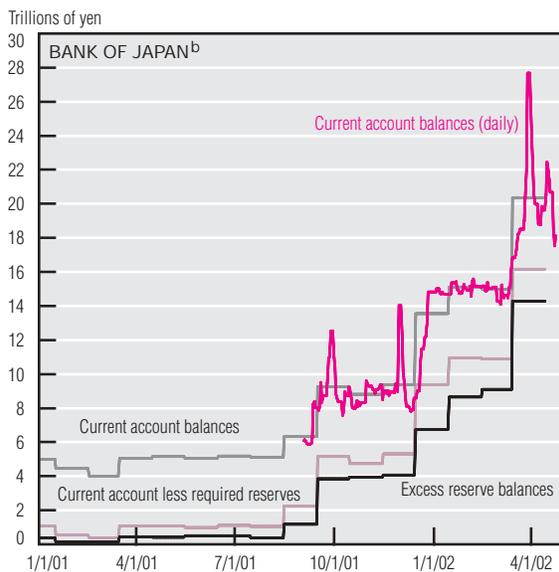
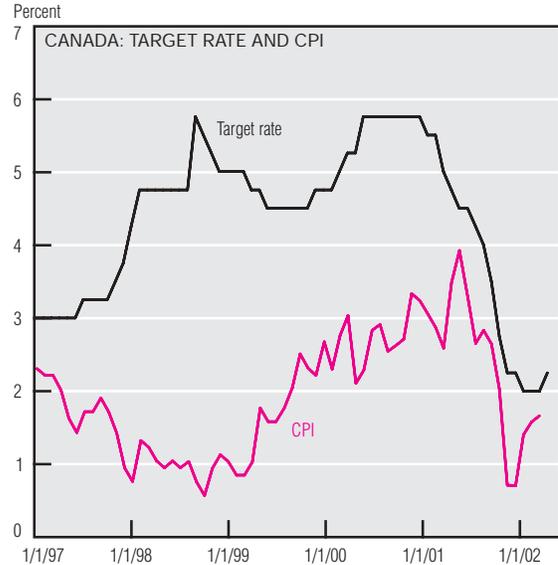
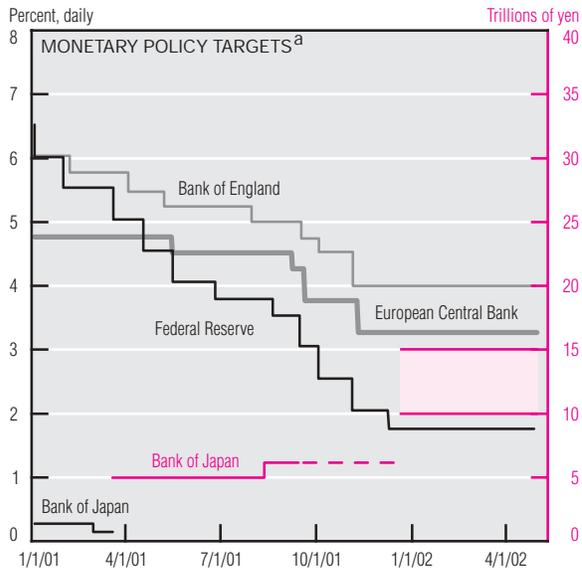


Foreign Central Banks



a. Federal Reserve and Bank of Japan: overnight interbank rates (since March 19, 2001, the Bank of Japan has targeted a quantity of current account balances; since December 19, 2001, it has targeted the range of a 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 equal 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. All observations are maintenance-period averages, unless otherwise noted.

SOURCES: Board of Governors of the Federal Reserve System; Bank of Japan; European Central Bank; Bank of England; Bank of Canada; and Bloomberg Financial Information Services.

The four major central banks continue to keep their policy settings unchanged. The Bank of Canada, on the other hand, raised its policy rate 25 basis points to 2.25% in mid-April. The bank said this move was aimed at "keeping inflation at its 2 per cent target over the medium term" in the face of "stronger-than-expected economic growth in Canada and the United States."

The Bank of Japan, with an unchanged target of ¥10 trillion to ¥15 trillion for current account balances, has tended to supply more than that

amount on a daily basis. This is consistent with its announced intention "to provide more liquidity irrespective of the guideline" in case of "a risk of financial market instability, such as a surge in liquidity demand." A surge was expected in connection with the end of Japan's fiscal year (March 31). It remains the case that excess reserves have consumed almost the entire increase in the supply of balances over the past year.

The Argentine peso depreciated sharply toward the end of March, then improved a bit before depreciating

again during that nation's most recent difficulties. Some have expressed concern about possible contagion from that nation to the financial position of other Latin American nations. Comovement between the Argentine, Chilean, and Brazilian exchange rates is apparent in the very short run (several days or a week), including the most recent episode in April. However, both of the latter two currencies have seen almost no net change over the entire period since the Argentine peso began its depreciation of more than 60% this year.