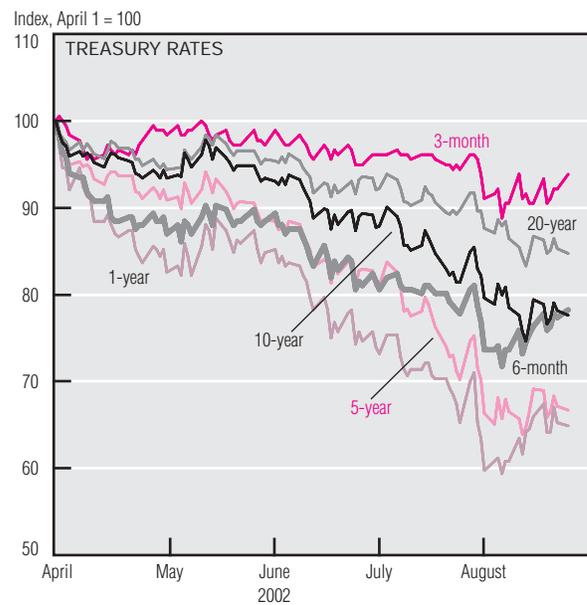
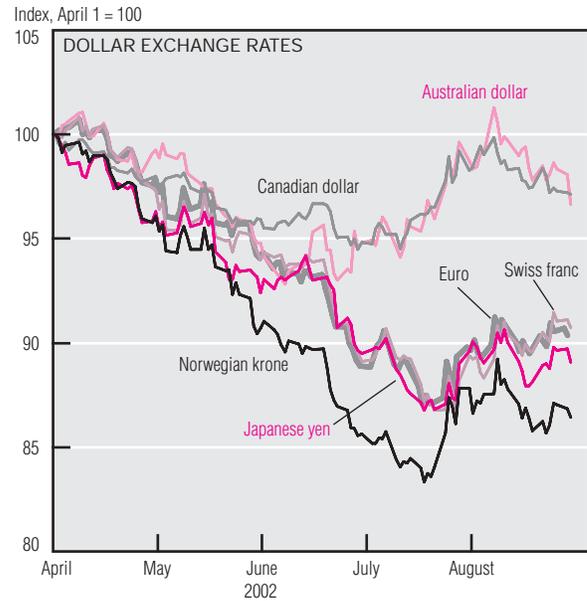
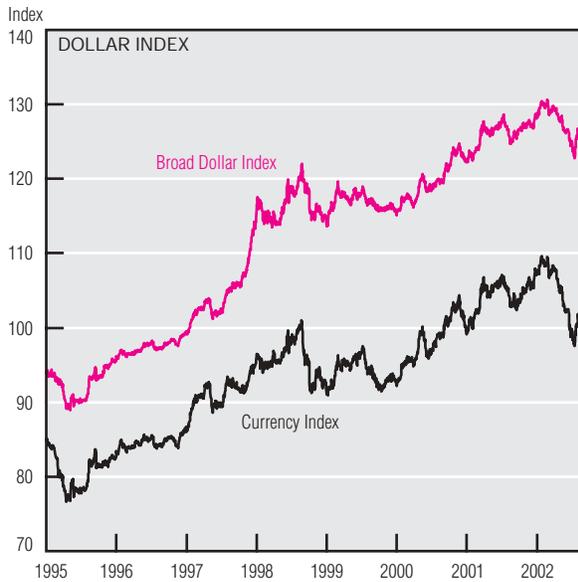


International Markets



SOURCES: Board of Governors of the Federal Reserve System; and Bloomberg Financial Information Services.

The Broad Dollar Index measures the average change in the dollar's exchange rate against the currencies of our 36 most important trading partners. The Major Currency Index measures the average change against major international currencies such as the euro, the Australian and Canadian dollars, and the U.K. pound. Both of these indexes have increased in value between the last half of the 1990s and the beginning of this year. Both fell sharply in the first half of this year and have more or less stabilized since then.

The values of other nations' currencies against the U.S. dollar do not necessarily rise and fall together. In April and May, for example, the U.S. dollar depreciated against several currencies, including the Canadian dollar and the Japanese yen. Since June, the dollar has appreciated against the Canadian and Australian dollars and depreciated against the Japanese yen, the euro, the Swiss franc, and the Norwegian krone.

In the last four weeks, stock market values around the world have risen. Since April, however, they have

fallen significantly in many countries. One of the hardest hit markets is the NASDAQ, which has lost about 28.5% since April 1. Japan's NIKKEI 225 has outperformed several important stock indexes but has still managed to lose about 12.8% of its value over the same period. The value of U.S. Treasuries at virtually all maturities has increased since April, as reflected by a decrease in their interest rates. In early August, the yield on a two-year note dropped as far as 1.9%, its lowest level in almost 40 years.