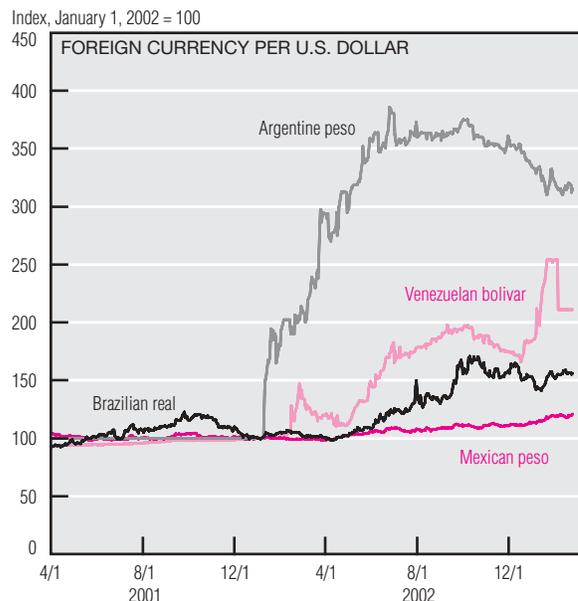
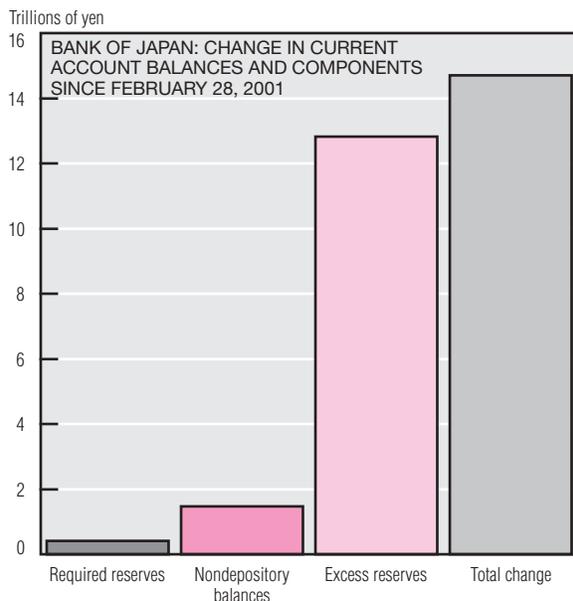
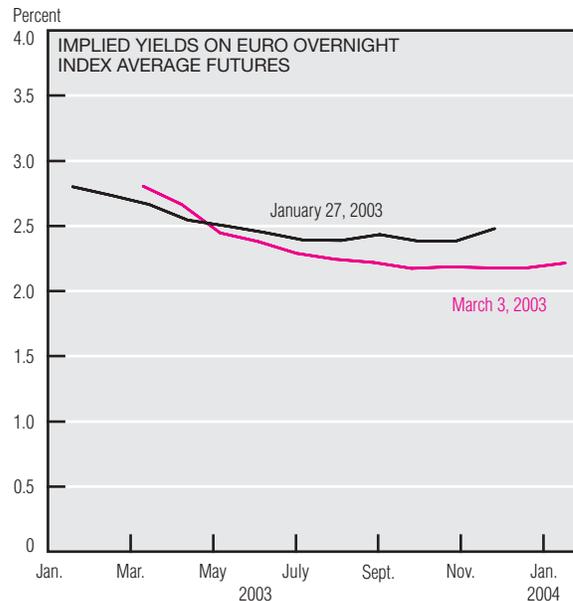
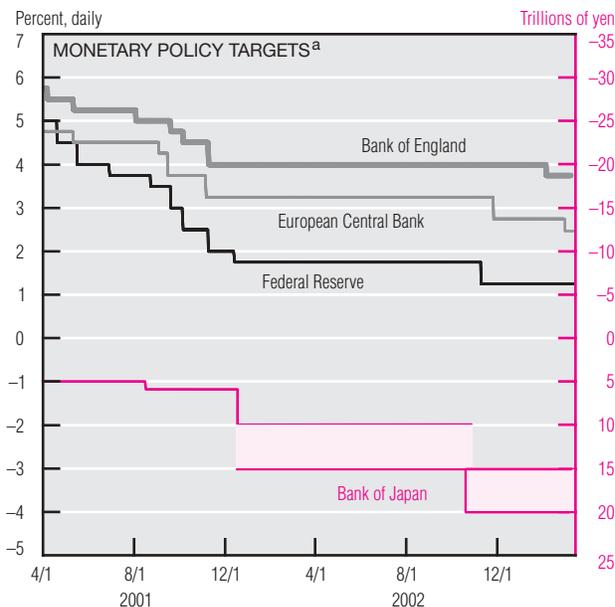


# Foreign Central Banks



a. Federal Reserve: overnight interbank rate. Bank of Japan: a quantity of current account balances (since December 19, 2001, a range of quantity of current account balances). Bank of England and European Central Bank: two-week repo rate.  
 SOURCES: Board of Governors of the Federal Reserve System; Bank of Japan; European Central Bank; Bank of England; Wholesale Markets Brokers Association; and Bloomberg Financial Information Services.

On March 6, the European Central Bank reduced its target interest rate by 25 basis points (bp) to 2.5%. Geopolitical developments associated with Iraq continued to make the economic outlook particularly uncertain. That said, however, incoming information suggested further weakening. In Europe, speculation about policy easing intensified, as shown by a significant decline in implied yields for futures contracts on the Euro Overnight Index Average. In Japan, nomination of the central bank's new governor was widely, though not

universally, thought to imply continuation of recent years' monetary policy approach; this approach centered on a massive buildup in the quantity of base money, almost entirely matched by enlarged holdings of idle balances at the bank.

In the Americas, Venezuela imposed exchange controls in early February, pegging the bolivar to the dollar at a rate about 20% below the recently recorded market peak. Brazil's central bank raised its interest rate target by 100 bp to 26.50%, the fifth of the increases that have

added 850 bp to the target since last July. The Bank of Mexico also tightened policy in early February, repeating January's 75-million peso increase in the reserve shortage. In addition, Mexico's government issued the first-ever sovereign bond under New York law with a collective action clause that allows a 75% majority to bind all holders to revised repayment terms in a default. Widespread adoption of such a feature is an oft-cited characteristic of a new, more stable global financial architecture.