None of the four major central banks has changed its policy setting since the last Federal Reserve action.

Japan’s overnight interbank rate has been essentially zero for about three years, reflecting the Bank of Japan’s anti-deflation policy of quantitative easing. For the past year, that policy has maintained a level of current account balances and excess reserves of the banking system that is more than ¥25 trillion higher than at the beginning of 2001. Recently, the Bank has had occasional difficulty attracting sellers of all the securities it wished to buy in order to maintain that level of balances. This has triggered questions about whether the effective demand for its liquidity might be declining relative to the past year’s target.

As long as the Bank is able to meet its current account balance target, the zero floor on nominal overnight interest rates suggests that excess effective liquidity might show up in lower nominal interest rates at nearby maturities and risk classes. There are hints of such an effect. Since the end of September, the average interest rate on new CDs at the maturity of 30–59 days has declined very slightly relative to rates on 0–29 day CDs. Average contracted interest rates on loans and discounts of all domestically licensed banks have continued to decline; this has occurred three times as much at city banks, where loan quality is thought to be better.