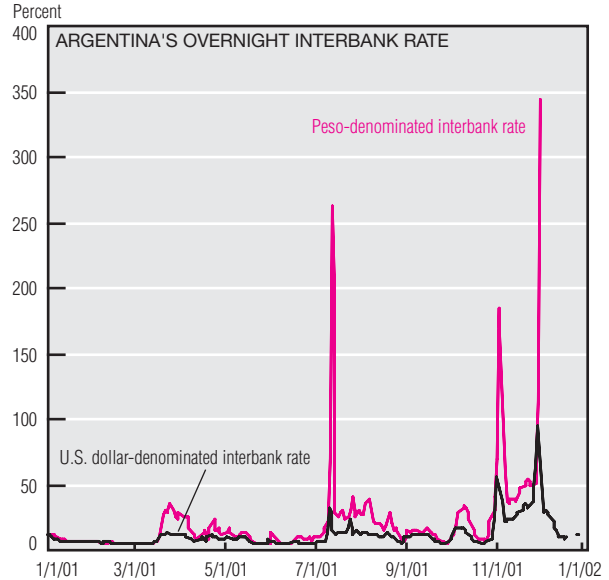
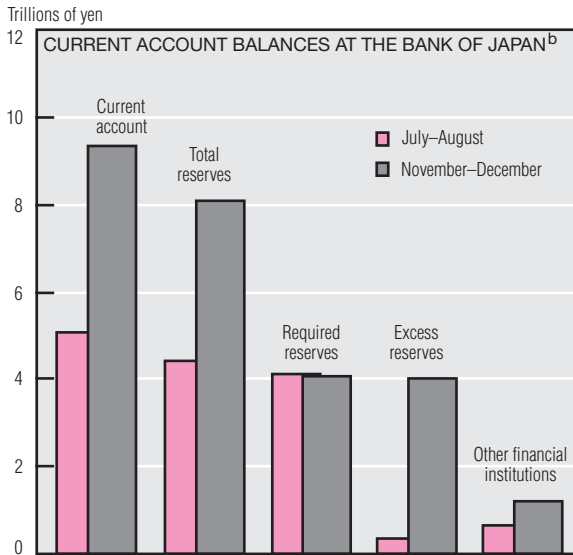
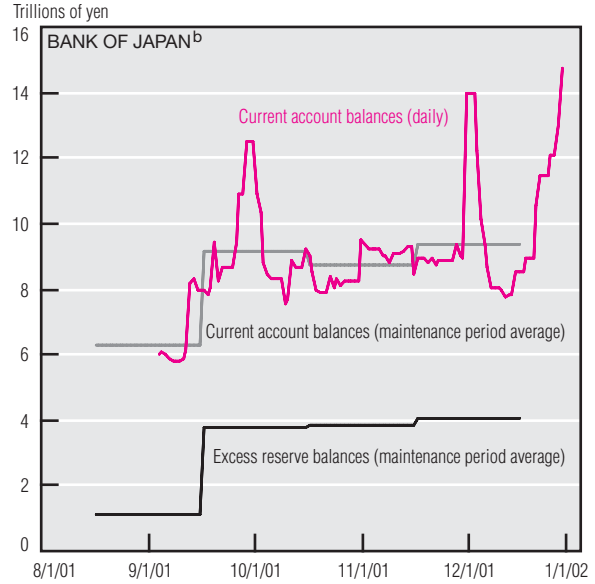
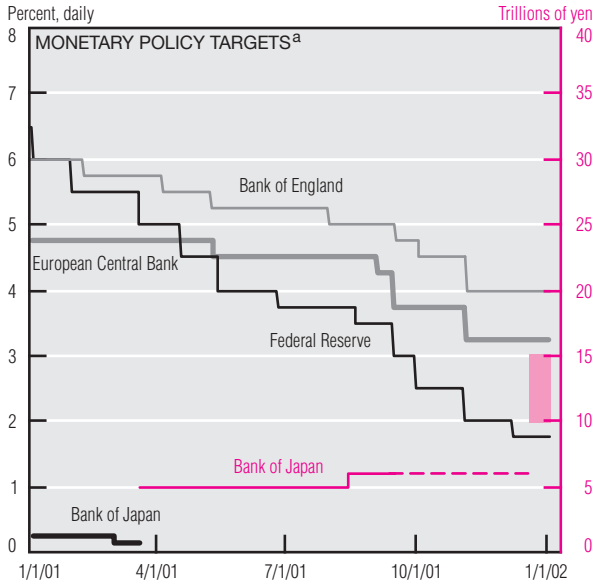


# Foreign Central Banks



a. Bank of England and European Central Bank: two-week repo rate. Federal Reserve: overnight interbank rate. Bank of Japan: before March 19, 2001, overnight interbank rate; after March 19, a level of current account balances “around” the indicated quantity; after July 18, “above” the indicated quantity; after December 19, “around” the indicated range.  
 b. Current account balances at the Bank of Japan are 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 maintained at the Bank of Japan starting the sixteenth of a month and ending the fifteenth of the next.  
 SOURCES: Board of Governors of the Federal Reserve System; Bank of Japan; European Central Bank; Bank of England; and Central Bank of Argentina.

Only two major central banks took easing actions over the past month. In the U.S., the Federal Open Market Committee reduced the intended level of the overnight federal funds rate from 2% to 1.75% at its December 11 meeting. The Bank of Japan increased its target for the supply of current account balances from “above 6 trillion yen,” established in mid-September, to “around 10 to 15 trillion yen,” adopted on December 19. The Bank also increased the monthly volume of its intended purchases of Japan

Government bonds from 600 to 800 billion yen, and adopted several “measures to strengthen money market operations.” So far this year, the Bank’s more abundant supply of current account balances has been reflected almost entirely in banks’ holdings of excess reserves and not at all in required reserves.

Recurrent bouts of anxiety about Argentina’s economy and the durability of its peso-dollar peg have been reflected in volatile—and sometimes very substantial—spreads of peso-

denominated interest rates above dollar-denominated rates. By the beginning of December, peso-denominated interbank rates no longer were being quoted. Depositors, seeking to protect themselves against a possible devaluation of the peso, began a run on the banking system that triggered a bank holiday ending December 27. The then-government of Mr. Rodriguez Saa said it would maintain the dollar value of the peso but would issue a new, third fiat currency, the *argentino*.