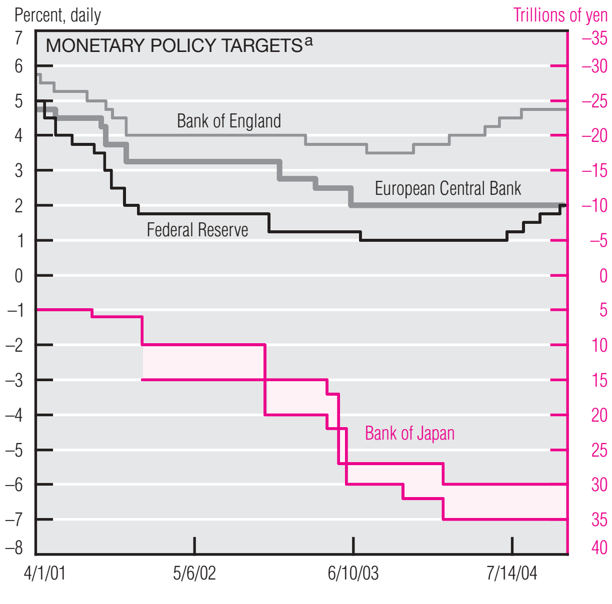
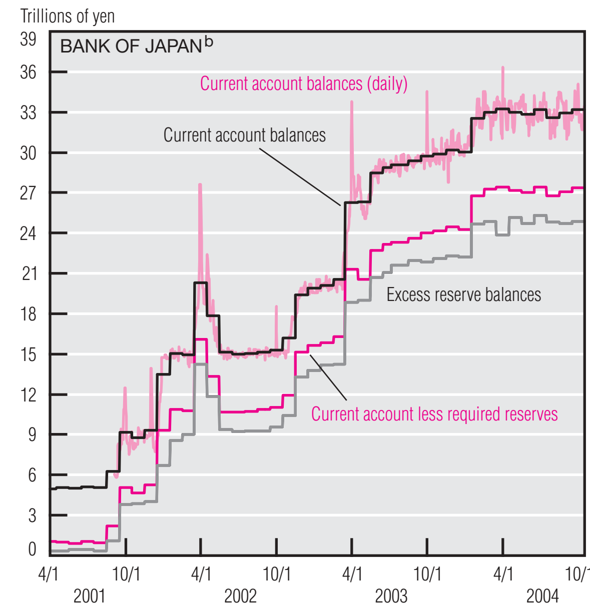
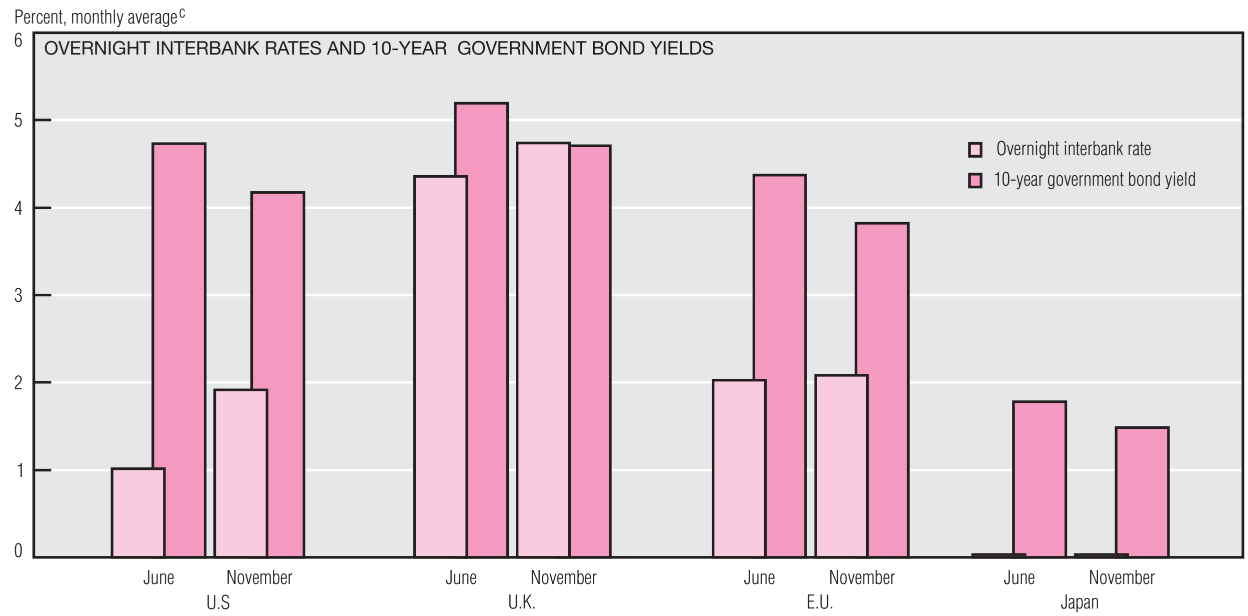
Foreign Central Banks







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: repo rate.

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 at the bank of Japan starting the sixteenth of one month and ending the fifteenth of the next.

c. Monthly averages for June and November are based on the first 29 days of the month.

SOURCES: Board of Governors of the Federal Reserve System; Bank of Japan; Bank of England; European Central Bank; Wholesale Markets Brokers' Association; and Bloomberg Financial Information Services.

At its November 10 meeting, the Federal Open Market Committee (FOMC) continued its series of policy rate increases with another 25 basis point (bp) rise in the target for the overnight uncollateralized interbank loan (federal funds) rate. The Bank of England and the European Central Bank target slightly longer-term money market rates, but neither has changed its target repurchase agreement rate recently; the Bank of Japan continues into the eleventh month of a ¥30–¥35 trillion target for its supply of current account balance liabilities.

The FOMC's series of rate increases began at its June 30 meeting. Since then, the federal funds rate has increased 100 bp, in line with the FOMC's view that "policy accommodation can be removed at a pace that is likely to be measured." The U.K.'s overnight interbank rate rose about 50 bp over the same period, reflecting comparable increases in the Bank of England's money market rate target; overnight rates in the euro countries and Japan were essentially unchanged. Long-term bond yields have declined about 50 bp in the U.S. since June, with comparable or slightly smaller reductions in long-term yields in the other three currencies' bond markets, reflecting some softening since June in the global outlook for real growth and/or inflation. The 150 bp compression in the spread between overnight and long-term dollar yields is one sign of the lessening degree of policy accommodation sought by the FOMC. Although smaller, such a compression is apparent in each of the other three major currencies as well.