

MASTER FILES
ROOM C-120

11

Any views expressed in the Departmental Memoranda (DM) Series represent the opinions of the authors and, unless otherwise indicated, should not be interpreted as official Fund views.

DM/83/38

INTERNATIONAL MONETARY FUND

Treasurer's Department

Foreign Exchange and Financial Markets in April 1983

Prepared by Mark A. Lumsden and Mohammed A. Tareen

Approved by Muhammad N. Bhuiyan

May 20, 1983

Foreign exchange markets in April were very calm compared with March when speculative movements of exchange rates were rather large and considerable intervention took place in the period leading to the realignment of the currencies participating in the European Monetary System (EMS). The most striking feature of the exchange rate developments in April was a 5 per cent appreciation of the pound sterling against the U.S. dollar following a 2 per cent appreciation over the last two days of March. All the EMS currencies (plus the Austrian schilling) eased against the U.S. dollar in April largely on interest rate factors, while other currencies firmed. The U.S. dollar was little changed in effective (MERM) terms over the month and eased slightly (0.27 per cent) against the SDR (see Table 1).

In the first half of April, the pound sterling firmed sharply on a series of developments with respect to oil prices: Nigeria announced it would not undercut the new prices set in late March for British North Sea oil; the Kuwait Oil Minister expressed confidence that the OPEC pricing and production agreement of March was holding; and on April 11 the major oil companies accepted Britain's new oil price levels. An additional factor was the expectation that the ruling conservative government would, in the near future, call and win an early general election. This environment permitted moderate reductions in U.K. interest rates without any adverse effect on the exchange rate, especially when the interest rate level continued to remain relatively high. Past midmonth, the pound eased somewhat on profit-taking but then began firming again due to cessation of a motor industry strike and reports of increases in oil export prices by Egypt and the Soviet Union.

Table 1. Changes in Exchange Rates in April 1983 ^{1/}
(In per cent)

	Monthly exchange rate changes			Change in effective exchange rate since Apr. 1982 ^{3/}
	Against U.S. dollar ^{2/}	Against SDR	Effective exchange rate ^{3/} (In per cent)	
Belgium	-1.86	-1.74	-0.90	-1.6
Denmark	-1.65	-1.99	-1.84	-0.7
France	-1.55	-1.73	-1.22	-11.6
Germany	-1.46	-1.56	-1.13	+4.0
Ireland	-1.17	-1.27	-1.21	-5.6
Italy	-1.37	-1.40	-0.88	-3.9
Netherlands	-1.62	-1.53	-0.83	+3.2
Austria	-1.37	-1.68	-1.32	+2.4
Canada	+0.65	+0.37	+0.66	+3.6
Japan	+0.30	+0.74	+1.15	+5.2
Norway	+1.40	+1.05	+1.18	-8.8
Sweden	+0.57	-0.06	+0.22	-15.9
Switzerland	+0.59	+0.63	+1.27	+2.2
United Kingdom	+5.03	+5.29	+5.95	-5.7
United States	--	-0.27	-0.15	+8.4

^{1/} Positive sign indicates appreciation of the currency.

^{2/} Based on New York noon quotations.

^{3/} Based on the Fund's multilateral exchange rate model (MERM).

Within the EMS, relative positions remained very stable, due in part to intervention activities. Against the U.S. dollar, the EMS currencies eased by 1.17-1.86 per cent in April. The Deutsche mark and the Netherlands guilder remained at or near the bottom of the narrow band; the French franc, the Danish krone, and the Irish pound changed places at the top while the Belgian franc was traded near the bottom (see Charts 1 and 2). The Italian lira continued to be the strongest EMS currency with a spread of over 5 per cent from the weakest currency. The spread in the narrow band was near or over the maximum of 2.25 per cent in the New York market throughout the month. The EMS central banks frequently intervened in the market in the first half of April with the Bank of Italy buying Deutsche mark, the Netherlands Bank buying guilders, the National Bank of Belgium buying Deutsche mark and guilders, and the Bundesbank selling French francs, Danish kronor, U.S. dollars and small amounts of Irish pounds. These interventions were directed mainly at stabilizing intra-EMS relationships. As the

month progressed, however, the weakness of the EMS currencies as a bloc against the U.S. dollar became quite apparent, due principally to adverse interest rate differentials following discount rate cuts in March for the Deutsche mark and the Netherlands guilder. Both the Bundesbank and the Netherlands Bank used currency swaps to reduce domestic financial liquidity and to keep interest rates firm but direct foreign exchange market purchases were also undertaken especially by the Bundesbank; in the second half of April, Bundesbank intervention was almost entirely confined to sales of U.S. dollars for Deutsche mark (estimated amounting to over \$750 million) at both the official fixing and in the open market (including New York on one occasion). Other EMS participants took the opportunity of calmer foreign exchange markets during April to reduce somewhat their domestic interest rate levels. The weakening trend of the EMS currencies as a bloc was given only a brief respite late in April on a lower than expected U.S. M1 money supply increase that temporarily softened U.S. interest rates. Short-term rates in the United States, however, did not ease to the point where a further reduction in the discount rate might have taken place, and the pressure on the EMS currencies re-emerged. In this environment, the Bundesbank President expressed scepticism about whether more intervention could stabilize the dollar and argued instead that the United States should lower its interest rates. The Chairman of the U.S. Federal Reserve, however, suggested that occasional coordinated intervention by several industrial countries simultaneously might prove effective to reduce disorderliness in the market.

The volatility in exchange rate movements eased considerably for most currencies in April (see Table 2) in line with the generally quieter trading condition. The main exception was the pound sterling because of its strong firming trend over the month. It is interesting to note that volatility measures for the EMS currencies were highly uniform in April.

Table 2. Intra-Month Variations of Exchange Rates
of Major Currencies 1/

	April 2/		High-low spread in per cent 3/		MAC 4/	
	High	Low	Mar.	Apr.	Mar.	Apr.
Belgium	47.95	49.13	4.2	2.5	0.73	0.31
Denmark	8.565	8.765	1.6	2.3	0.38	0.27
France	7.2315	7.3945	8.6	2.3	0.81	0.29
Germany	2.4120	2.4660	2.6	2.2	0.39	0.29
Ireland	1.3080	1.2823	7.0	2.0	0.56	0.25
Italy	1434.0	1465.0	4.2	2.2	0.42	0.26
Netherlands	2.7185	2.7755	3.6	2.1	0.43	0.27
Austria	16.945	17.38625	2.4	2.6	0.45	0.29
Canada	0.81566	0.80792	0.9	1.0	0.14	0.14
Japan	236.20	239.50	2.2	1.4	0.42	0.31
Norway	7.0875	7.2150	2.1	1.8	0.39	0.21
Sweden	7.4675	7.5400	2.2	1.0	0.37	0.21
Switzerland	2.03925	2.0850	2.2	2.2	0.41	0.40
United Kingdom	1.5705	1.4790	4.3	6.2	0.49	0.61

1/ Exchange rates against the U.S. dollar in the New York market.

2/ Domestic currency units per U.S. dollar except for the pound sterling, the Irish pound and the Canadian dollar, which are in U.S. dollars per domestic currency unit.

3/ Intra-month variation in per cent.

4/ Monthly average of absolute daily changes in spot exchange rates in percentage terms.

The main change in gross foreign exchange reserves during April was a decline in excess of \$4 billion for Germany reflecting intervention activities and a large transaction with an unspecified foreign monetary authority. Italy recorded a sharp rise in reserves because of reflows of funds following the EMS realignment and seasonal tourist revenues. Denmark's reserves also rose relatively strongly; foreign exchange reserve changes of other countries were moderate in April (see Table 3). Foreign exchange operations by the Bank of France during the month resulted in a net currency inflow equivalent to F 13 billion. Foreign currency purchases during the month by the National Bank of Belgium permitted it to reduce its debt to the European Monetary Cooperation Fund from BF 87 billion late in March to BF 33 billion by early May.

Table 3. Foreign Exchange Reserves in April 1983 ^{1/}

(In millions of U.S. dollars)

	Reserve level	Change in March	Change over 12 months
Belgium	4,062	+268	+1,859
Denmark	3,068	+865	+1,446
France (March)	14,213	-1,078	-3,226
Germany	39,661	-4,263	+2,037
Ireland	1,807	-45	-725
Italy	14,599	+1,828	+3,179
Netherlands	9,130	-49	+1,571
Austria	4,428	-15	+69
Canada	3,260	+220	+1,067
Japan	20,000	+201	-3,102
Norway	5,719	+521	-301
Sweden	3,012	-32	+36
Switzerland			
(March)	13,327	+652	+1,306
United Kingdom	9,064	+404	-2,577
United States	8,565	-36	-1,525

^{1/} Includes ECU holdings but excludes gold, SDRs and reserve position in the Fund. Foreign exchange reserves are gross and include balances drawn on short-term swap agreements and the proceeds from other official borrowings.

I. Developments in the Spot Exchange Markets

Except for the sharp appreciation of the pound sterling, quotations for major currencies against the U.S. dollar in April were mixed. The dollar eased marginally (0.15 per cent) in effective (MERM) terms and eased by 0.27 per cent against the SDR. The gradual economic recovery in the United States continued and the index of leading economic indicators rose 1.5 per cent in March for the seventh consecutive monthly rise. Industrial production rose 2.1 per cent in April and was up 1.7 per cent year-on-year. The civilian unemployment rate eased marginally from 10.3 per cent in March to 10.2 per cent in April. The producer price index declined 0.1 per cent in April but was up 2.1 per cent year-on-year. The merchandise trade deficit widened slightly on a seasonally adjusted basis, from \$3.58 billion in February to \$3.63 billion in March. The Federal budget, however, showed a substantially

larger deficit of \$26 billion in March compared with \$18.3 billion a year earlier; for the first six months of the fiscal year the deficit was \$129 billion compared with \$72 billion in the same period a year earlier.

The Deutsche mark was at the bottom of the EMS parity grid during the month but the Bundesbank undertook a considerable amount of intervention apparently to restrict the easing of the EMS currencies against the U.S. dollar. The Deutsche mark eased by 1.46 per cent against the U.S. dollar and by 1.13 per cent in effective (MERM) terms. The unemployment rate in April declined to 9.2 per cent from 9.8 per cent in March, due mainly to seasonal factors. The current account surplus in March widened to DM 2.7 billion compared with DM 800 million in February and DM 2.1 billion in March 1982. The producer price index in April rose 0.3 per cent and was up 1.5 per cent year-on-year, while the wholesale price index rose 0.8 per cent but declined 0.8 per cent year-on-year.

The French franc eased by 1.55 per cent against the U.S. dollar and 1.22 per cent in effective (MERM) terms. Following the devaluation of the franc in the EMS in March, barriers imposed last October on imports of video tape recorders and language restrictions on import documentation were substantially lifted in April. The trade deficit narrowed sharply in April to a seasonally adjusted F 1.538 billion from F 6.583 billion in March. The number of unemployed persons fell 0.5 per cent in April but was 0.8 per cent higher than in April 1982; the unemployment rate was 9.2 per cent. The index of industrial production fell 0.8 per cent in March and was also 0.8 per cent lower than in March 1982. The index of industrial wholesale prices increased 1.6 per cent in March (8.5 per cent year-on-year) after rising 0.9 per cent in January and 1.4 per cent in February.

The Belgian franc eased by 1.86 per cent against the U.S. dollar but was easier by 0.90 per cent in effective (MERM) terms. Following the EMS realignment, virtual disappearance by the end of April emerged in the discount of the financial franc from the commercial franc. Industrial production rose by 6.7 per cent in January for a 1.1 per cent rise over January 1982. The unemployment rate at the end of April fell to 12.1 per cent from 12.2 per cent at the end of March. The wholesale price index rose 0.55 per cent in March for a 3.25 per cent year-on-year rise.

The Netherlands guilder, like the Deutsche mark, traded at the bottom of the parity grid following the EMS realignment in March, and the Netherlands Bank joined the Bundesbank in efforts to moderate the decline of the EMS bloc currencies against the U.S. dollar during April. The guilder eased 1.62 per cent against the U.S. dollar and 0.83 per cent in effective (MERM) terms. In reaction to declining oil and natural gas export revenues, the Government announced plans for substantial cuts in government spending; the budget deficit, however,

was still projected to rise to the equivalent of 12.5 per cent of GNP from 11.9 per cent last year. The unemployment rate, seasonally adjusted, was unchanged in April at 16.5 per cent. The trade surplus narrowed to f. 1.3 billion in February from f. 2.0 billion a year earlier but was unchanged from January. The producer price index for consumption and investment goods fell by 0.1 per cent in February but was up 1.3 per cent year-on-year.

The Danish krone eased 1.65 per cent against the U.S. dollar and 1.84 per cent in effective (MERM) terms, the largest effective rate decline in the EMS reflecting the relative strength of other Scandinavian currencies. The trade balance in March switched to a deficit of DKr 1.26 billion following a surplus of DKr 502 million in February and compared with a deficit of DKr 519 million in March 1982. The wholesale price index declined 0.5 per cent in March but was up 4.6 per cent year-on-year.

The Irish pound eased by 1.17 per cent against the U.S. dollar and 0.88 per cent in effective (MERM) terms. The unemployment rate, seasonally adjusted, remained at about 14.4 per cent. The merchandise trade deficit widened in March to a seasonally adjusted £Ir 82 million from £Ir 66.3 million in February.

The Italian lira remained the strongest currency in the EMS, trading at a spread of about 5 per cent from the weakest currency (the lira is permitted a margin of 6 per cent in the EMS exchange arrangements). Over the month of April, the lira eased 1.37 per cent against the U.S. dollar and 0.88 per cent in effective (MERM) terms. Industrial production, seasonally adjusted, fell 1.5 per cent in March and was down 9.2 per cent from a year earlier. The trade deficit narrowed in March to Lit 332 billion from Lit 1,158 billion in February and Lit 1,104 billion in March 1982.

The pound sterling as indicated earlier, firmed 5.03 per cent against the U.S. dollar and 5.95 per cent in effective (MERM) terms. Industrial production declined 0.9 per cent in March but was 1.5 per cent higher over the year. The unemployment rate in April, seasonally adjusted, was unchanged at 12.7 per cent. The current account surplus widened sharply in March to a seasonally adjusted £556 million from £42 million in February. Wholesale prices of manufactured goods rose 0.8 per cent in April for a 7.3 per cent year-on-year rise.

The Swiss franc firmed 0.59 per cent against the U.S. dollar and 1.27 per cent in effective (MERM) terms. The unemployment rate remained unchanged in April at 0.8 per cent. The trade deficit narrowed in April to Sw F 834 million from a revised Sw F 1,012 million in March but widened from Sw F 674 million in April 1982. The wholesale price index rose 0.5 per cent in April for a 0.2 per cent rise year-on-year.

The Japanese yen firmed 0.30 per cent against the U.S. dollar and 1.15 per cent in effective (MERM) terms. Industrial production, seasonally adjusted, rose 1.2 per cent in March but fell 2.0 per cent from the year earlier level. The seasonally adjusted unemployment rate fell to 2.6 per cent in March from 2.7 per cent in February. The trade surplus in April widened sharply to \$2.03 billion from \$485 million a year earlier. The wholesale price index declined 0.7 per cent in April for a year-on-year decrease of 2.2 per cent.

The Canadian dollar firmed 0.65 per cent against the U.S. dollar and an 0.66 per cent in effective (MERM) terms. The unemployment rate, seasonally adjusted, declined to 12.5 per cent in April from 12.6 per cent in March. The trade surplus, seasonally adjusted, narrowed marginally in March to Can\$1.39 billion from Can\$1.4 billion in February.

The Austrian schilling eased in line with the EMS currencies during April; it eased 1.37 per cent against the U.S. dollar and 1.32 per cent in effective (MERM) terms. The Norwegian krone firmed 1.40 per cent against the U.S. dollar and 1.18 per cent in effective (MERM) terms. The Swedish krona firmed 0.57 per cent against the U.S. dollar and 0.22 per cent in effective (MERM) terms.

II. Monetary Developments, Forward Exchange Quotations and Covered Interest Differentials

Monetary and credit conditions in major industrial countries eased somewhat in April, with policies centered on stimulating economic activity. Short-term interest rates eased in a number of industrial countries at the end of April, especially in Belgium, Denmark, and Italy where the rates eased sharply by 1.80, 1.0, and 1.49 percentage points respectively; the rates in France, the Netherlands, and Switzerland firmed, while those in Austria and Norway remained unchanged between the end of March and the end of April.

In the United States, short-term interest rates eased significantly at the end of April. The three-month bond-equivalent yield on Treasury bills eased from 8.97 per cent at the end of March to 8.38 per cent at the end of April. The federal funds rate and the 90-day CD rate eased by 1.97 and 0.75 percentage points, respectively, to 8.84 per cent and 8.34 per cent; the prime lending rate, however, remained unchanged between the end of March and the end of April. The U.S. basic money supply M1 rose to a seasonally adjusted average of \$495.4 billion in the week ended April 27 from \$494.0 billion in the previous week and for the latest 13 weeks M1 averaged \$494.5 billion for a growth rate of 14.2 per cent. At the same time, the Fed estimated that deposits in Super Now Accounts averaged \$30.3 billion, up from \$30.0 billion the previous week; money market deposit accounts rose to an average of \$345.3 billion from \$342.2 billion.

Among the countries in the European Monetary System, the Bank of France lowered its call money rate from 12.63 per cent to 12.25 per cent with effect from April 11; this marked the rate at its lowest level since the French Presidential elections in May 1981. The National Bank of Denmark reduced its official interest rates by 1.0 percentage point with effect from April 22. The official discount rate as well as the rediscount rate was lowered from 8.50 per cent to 7.50 per cent, and the Bank's ordinary lending rate was reduced from 9.50 per cent to 8.50 per cent; the official discount rate was last changed on March 22, when it was reduced by 1.50 percentage points to 8.50 per cent after the March realignment of the EMS currencies. The Belgian National Bank lowered the interest rates on one-, two-, and three-month Treasury certificates by 0.5 percentage point to 10.50 per cent, effective April 26, and the next day lowered these rates and the rate on four-month certificates to 10.45 per cent. Germany's broadly defined money supply M3 rose by DM 5.6 billion or 7.1 per cent in March; this compared with a rise of DM 4.6 billion or 7.4 per cent in February and DM 5.4 billion or 6.3 per cent increase a year ago. The Bundesbank reported an increase of 0.8 per cent in M2 and a rise of 14.7 per cent in M1 in March.

The Japanese authorities raised the ceilings for foreign lending by Japanese financial institutions for the period from April to September 1983. The ceiling for yen-based loans was set at ¥ 700 billion, an increase of ¥ 100 billion over the preceding six months, while the ceiling for foreign currency loans was fixed at ¥ 8 billion, unchanged from the estimated level of such financing in the preceding six months. The Bank of Japan reported that Japan's broadly defined money supply M3 grew an average 7.6 per cent in March from a year earlier, up from a 7.4 per cent year-on-year rise in February.

Short-term money market interest rates in industrial countries eased by 0.05-1.80 percentage points at the end of April, except for those in Canada, France, Switzerland, and the Netherlands, which firmed by 0.07-1.69 percentage points (see Table 4). Short-term rates in Austria and Norway remained unchanged between the end of March and the end of April.

In the euro-currency market, the three-month euro-dollar rate eased significantly by 0.75 percentage point to 8.94 per cent at the end of April. As a result, the uncovered interest differentials favoring euro-dollar investment narrowed sharply for Germany and the Netherlands at the end of April. The uncovered differentials favoring domestic investment narrowed for Belgium and Italy while those for France and the United Kingdom widened between the end of March and the end of April.

Table 4. Inflation Rates and Short-Term Interest Rates

	Month <u>2/</u>	Inflation Rates <u>1/</u> (year-on-year per cent changes)				Short-term interest rates <u>4/</u> (end-of-month)	
		Wholesale		Consumer		Mar.	Apr.
		price index		price index <u>3/</u>			
Austria	Mar./Apr.	0.0	(0.0)	3.0	(3.5)	3.75	3.75
Belgium	Mar./Apr.	3.3	(3.8)	8.0	(8.9)	12.25	10.45
Canada	March	--	--	7.2	(7.4)	9.05	9.12
Denmark	March	4.6	(6.2)	7.6	(8.8)	8.50	7.50
France	March	8.5	(8.7)	9.0	(9.2)	12.17	12.55
Germany	March	-1.1	(-0.8)	3.5	(3.7)	5.40	5.35
Italy	Jan./Apr.	11.1	(11.9)	16.6	(16.4)	19.37	17.88
Japan	Apr./Mar.	-2.2	(-0.9)	2.3	(1.9)	6.83	6.70
Netherlands	March	--	--	2.7	(3.5)	4.25	5.94
Norway	Feb./Mar.	5.9	(6.0)	9.2	(11.7)	9.00	9.00
Sweden	Feb./Mar.	10.8	(11.7)	8.4	(8.3)	9.00	8.50
Switzerland	Feb./Mar.	0.5	(0.5)	4.8	(4.8)	3.94	4.44
United Kingdom	Apr./Mar.	7.3	(7.2)	4.6	(5.3)	10.66	10.09
United States	Apr./Mar.	2.1	(2.2)	3.6	(3.5)	8.97	8.38

1/ Rates appearing in parentheses are those for the preceding month.

2/ In case of double entry (month/month), the first entry applies to the wholesale price index and the second entry applies to the consumer price index.

3/ Retail price index for France and the United Kingdom, and cost of living index for Germany and the Netherlands.

4/ Three-month rates are: Market yields on Treasury bills for the United States and the United Kingdom; Treasury bill rate for Canada; inter-bank rates for Germany, France, Italy, and the Netherlands; three-month euro-franc rate for Switzerland; four-month certificates of the Government Securities Stabilization Fund for Belgium; discount rate on two-month private bills for Japan; central bank discount rates for Austria, Denmark, Norway and Sweden.

In the forward exchange market, the premia against the U.S. dollar narrowed for the Deutsche mark and the Netherlands guilder at the end of April. The discount against the U.S. dollar narrowed for the Belgian franc and the Italian lira, while it widened for the French franc and turned to a premium for the pound sterling between the end of March and the end of April. Consequently, the covered interest differentials favoring domestic investment widened for Germany, Italy, the Netherlands, and the United Kingdom at the end of April, while the differentials favoring euro-dollar investment narrowed for France and switched to favor domestic investment for Belgium between the end of March and the end of April.

Table 5. Covered Interest Differentials for Three-Month Investments in Europe (End-month)

	Uncovered interest differentials <u>1/</u> (1)		Forward exchange quotations <u>2/</u> (2)		Covered interest differentials <u>1/</u> (3)=(1)-(2)	
	Mar.	Apr.	Mar.	Apr.	Mar.	Apr.
Belgium <u>3/</u>	-2.44	-1.32	-2.75	-1.30	+0.31	-0.02
France	-2.48	-3.61	-3.27	-3.94	+0.79	+0.33
Germany	+4.29	+3.59	+4.78	+4.16	-0.49	-0.57
Italy	-9.68	-8.94	-6.88	-5.88	-2.80	-3.06
Netherlands	+5.44	+3.00	+5.60	+3.22	-0.16	-0.22
United Kingdom	-0.97	-1.15	-0.84	+1.26	-0.13	-2.41

1/ Positive sign indicates differential in favor of euro-dollar investment relative to domestic investment, while negative sign indicates the reverse. Domestic interest rates for France, Germany, Italy and the Netherlands are interbank rates. For the United Kingdom the Treasury bill rate is used, and for Belgium the rate on four-month certificates of the Government Securities Stabilization Fund.

2/ Positive sign indicates three-month forward premium of domestic currency against the U.S. dollar, while negative sign indicates forward discount.

3/ Rates pertain to the last Tuesday of the month.

III. Yields on the SDR and Other SDR-Denominated Assets

For the calendar quarter beginning April 1, 1983, the SDR interest rate increased slightly to 8.52 per cent from 8.47 per cent in the previous quarter. The increase reflected higher interest rates on the relevant financial instruments for the United States and the

United Kingdom, which firmed significantly by 0.58 percentage point to 8.75 per cent and 10.90 per cent, respectively, partly offset by declines in the rates on the other instruments employed to calculate the combined market rate which eased by 0.16-1.19 percentage points in the relevant period. The rate of remuneration paid on creditor positions in the Fund (85 per cent of the SDR interest rate) increased from 7.20 per cent in the previous quarter to 7.24 per cent in the current quarter.

As shown in Appendix B, the average domestic interest rates on all instruments for the currencies included in the SDR basket eased during April. As a result, the average combined market interest rate eased by 0.30 percentage point to 8.20 per cent in April.

The combined domestic market interest rates for maturities ranging from three months to five years eased by 0.20-0.55 percentage point at the end of April (see Table 6), reflecting generally lower interest rates on the relevant instruments for the five currencies included in the SDR basket, which eased by 0.04-1.17 percentage points between the end of March and the end of April. The combined domestic rates displayed a rising yield curve moving up from 8.20 per cent on the three-month maturity through 8.26 per cent and 8.36 per cent on the six- and twelve-month maturities, respectively, to 9.72 per cent on the five-year maturity.

The combined euro-currency interest rates for the three-, six- and twelve-month maturities eased by 0.27, 0.27, and 0.25 percentage points, respectively, to 8.46 per cent, 8.70 per cent, and 9.03 per cent at the end of April. This reflected easier euro-currency deposit rates for the five currencies included in the SDR basket most of which eased by 0.06-0.81 percentage point, the exceptions being those on the euro-French franc deposits, which firmed sharply by 0.75-1.13 percentage points between the end of March and the end of April.

Average interest rates on SDR-denominated deposits of selected commercial banks eased by 0.12-0.34 percentage point at the end of April. The deposit rates displayed a rising yield curve moving up from 8.22 per cent on one-month deposits through 8.39 per cent and 8.66 per cent on three- and six-month deposits, respectively, to 8.90 per cent on twelve-month deposits. The yields on SDR-denominated bonds quoted on the Luxembourg Stock Exchange eased at the end of April. The current yield ranged from 9.02 per cent to 11.50 per cent, with the average current yield easing marginally by 0.02 percentage point to 10.16 per cent at the end of April while the yield to maturity ranged from 10.96 per cent to 13.38 per cent with the average yield to maturity easing by 0.62 percentage point to 11.92 per cent between the end of March to the end of April.

Table 6. Yields on the SDR and Other SDR-Denominated Assets

	Mar.	Apr.	May
SDR quarterly rate	8.47	8.52	8.52
Rate of remuneration	7.20	7.24	7.24
Yields on other SDR-denominated assets <u>1/</u>			
Combined market interest rates <u>2/</u>			
Based on domestic rates			
3-month maturity (Rule T-1)	8.52	8.20	
6-month maturity	8.81	8.26	
12-month maturity	8.66	8.36	
5-year maturity	9.92	9.72	
Based on euro-currency rates			
3-month maturity	8.73	8.46	
6-month maturity	8.97	8.70	
12 month maturity	9.28	9.03	
Average commercial bank deposit rates <u>3/</u>			
1-month deposits	8.56	8.22	
3-month deposits	8.58	8.39	
6-month deposits	8.86	8.66	
12-month deposits	9.02	8.90	
Bonds quoted on the Luxembourg Stock Exchange <u>4/</u>			
Average current yield	10.18	10.16	
Average yield to maturity	12.54	11.92	

1/ Rates pertain to last Wednesday of the month.

2/ As of January 1, 1981, combined market rates (according to the Rule T-1) are calculated by multiplying the yields or rates of each of the respective instrument by the number of units of the corresponding currency listed in Rule 0-1 and the value in terms of the SDR of a unit of that currency as determined by the Fund under Rule 0-2(a) and (b). Domestic rates are those used to determine interest rates on the SDR or on borrowings by the Fund. Euro-currency rates are midpoint midmorning rates in London, and for sterling, in Paris.

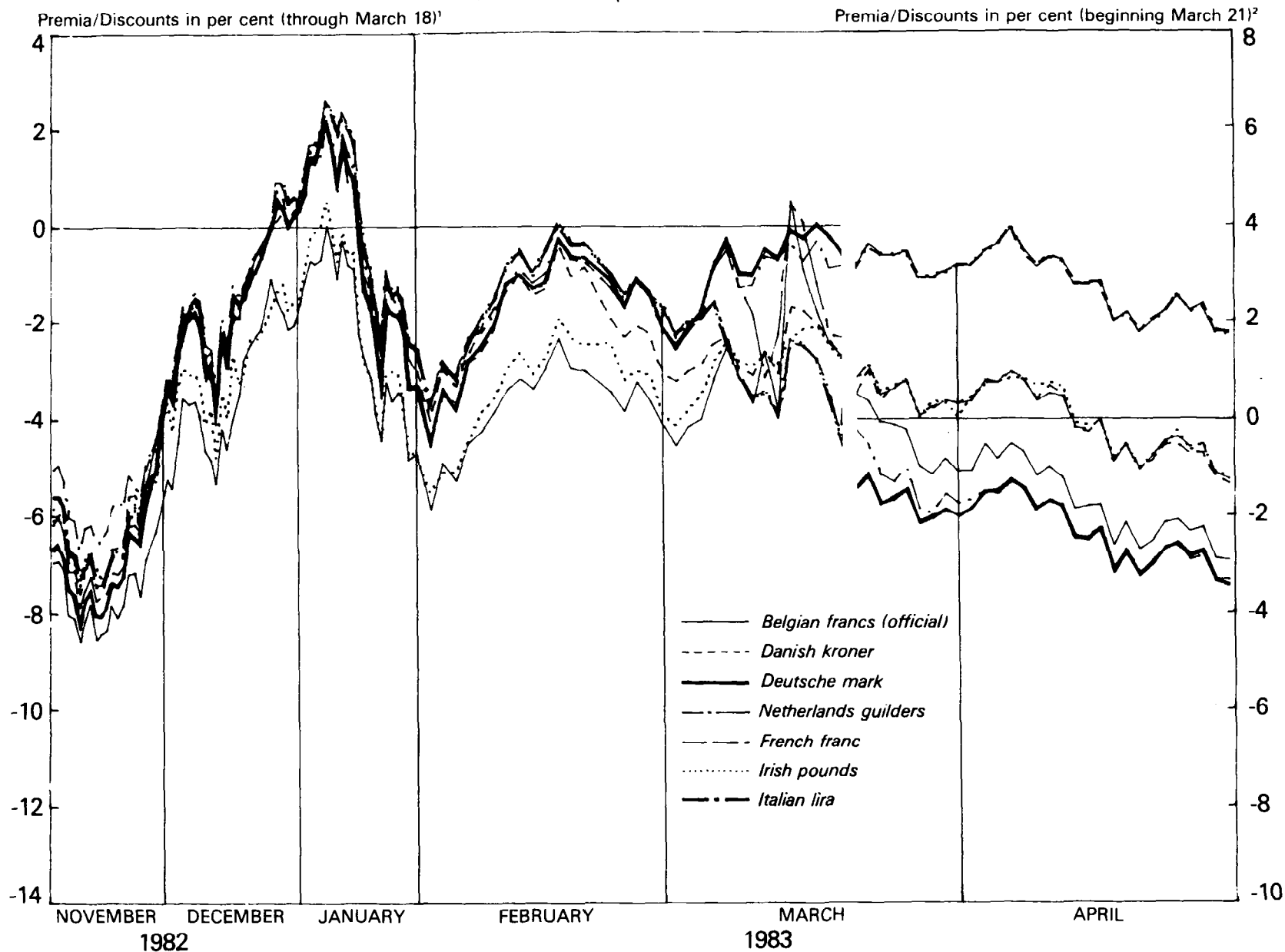
3/ Average of rates quoted by selected commercial banks.

4/ Maturity dates for these issues range from 1983 to 1989.

CHART 1

SPOT EXCHANGE RATES: EUROPEAN MONETARY SYSTEM

(Based on noon quotations in New York)

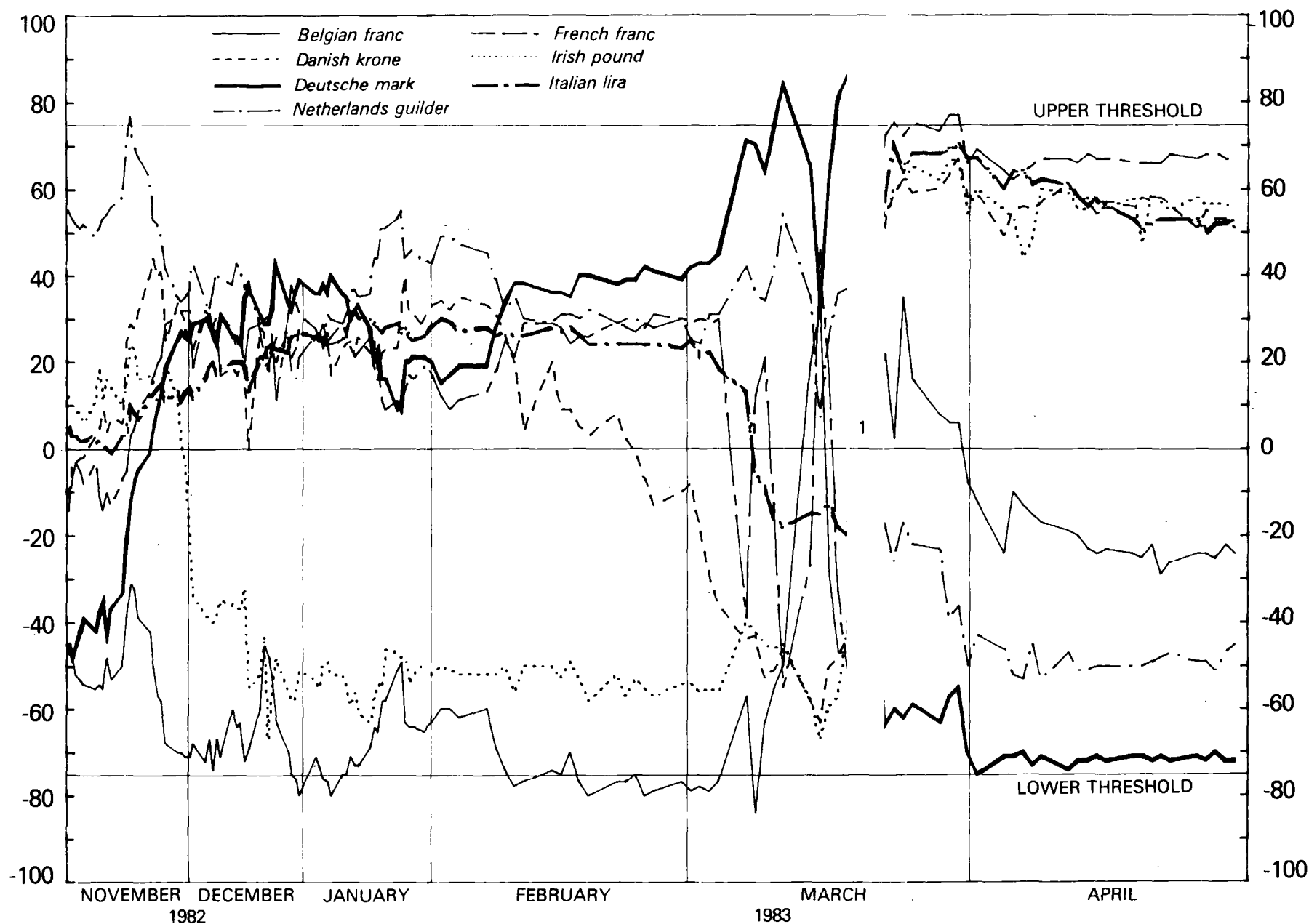


¹Premia/discounts over declared ECU central rates converted to U.S. dollar terms on the basis of 1 ECU = \$0.98 through March 18, 1983.

²Effective March 21, the Deutsche mark, the Netherlands guilder, the Danish krone, and the Belgian franc were revalued by 5.5, 3.5, 2.5, and 1.5 per cent, respectively, and the French franc, the Italian lira, and the Irish pound were devalued by 2.5, 2.5, and 3.5 per cent respectively. Consequently, the premia/discounts over declared ECU central rates are calculated on the basis of the rate as of March 22 of 1 ECU = \$0.930217.

CHART 2 EUROPEAN MONETARY SYSTEM: DIVERGENCE INDICATORS

(Based on noon quotations in London)



Effective March 22, the Deutsche mark, the Netherlands guilder, the Danish krone, and the Belgian franc were revalued by 5.5, 3.5, 2.5, and 1.5 per cent respectively, while the French franc, the Italian lira and the Irish pound were devalued by 2.5 per cent, 2.5 per cent, and 3.5 per cent respectively.

CHART 3 SPOT EXCHANGE RATES

(Noon quotations in New York)

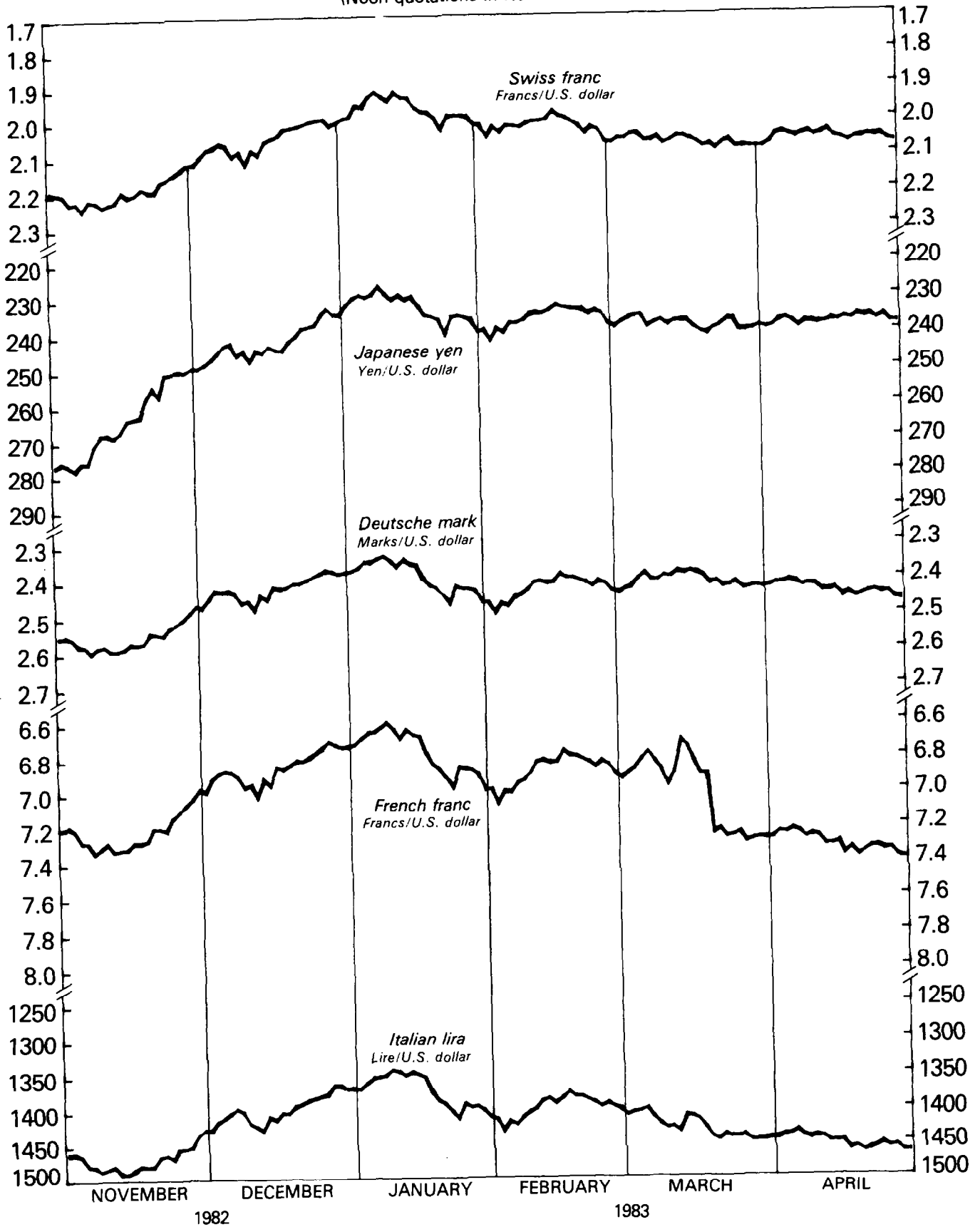


CHART 4
SPOT EXCHANGE RATES
(Noon quotations in New York)

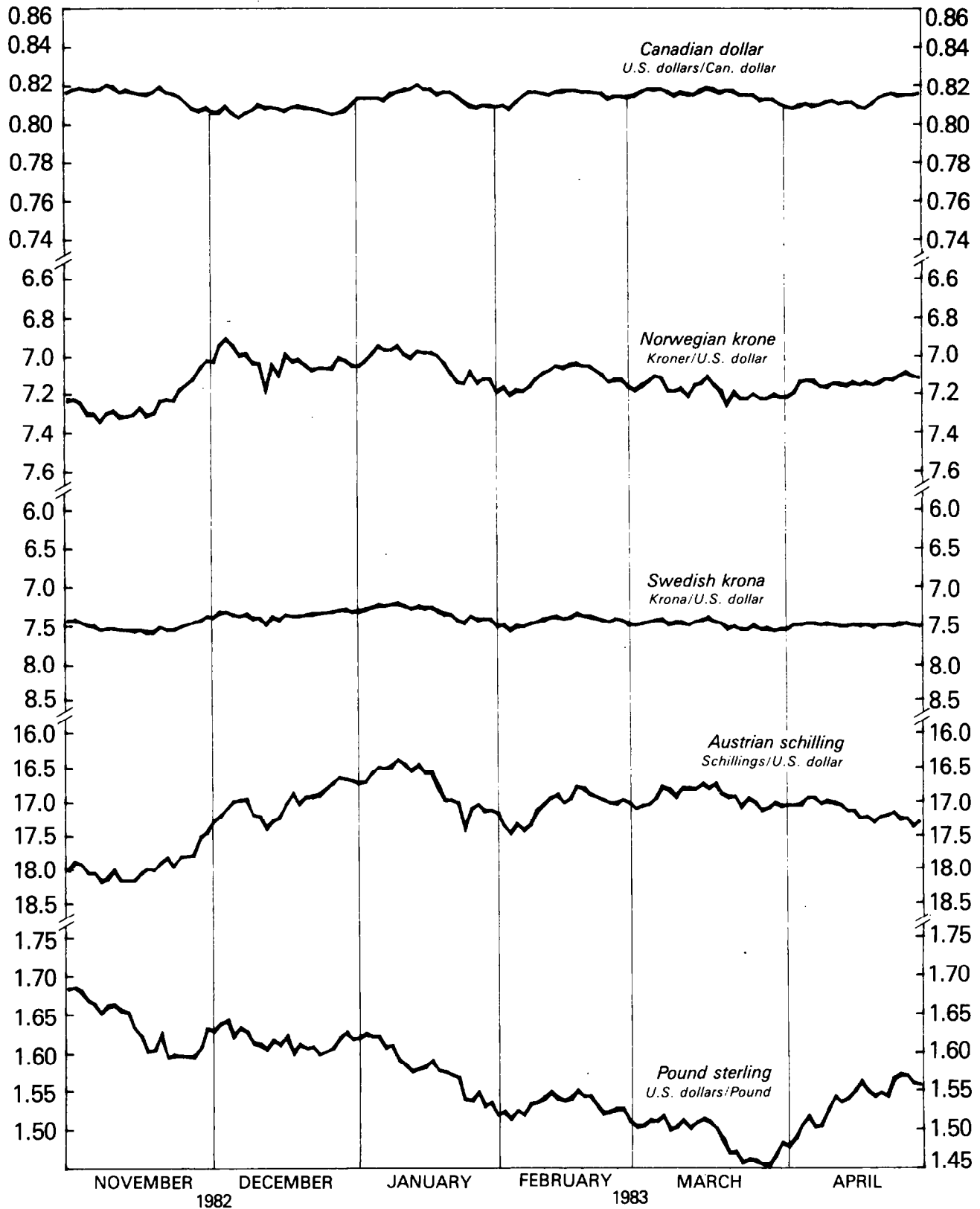
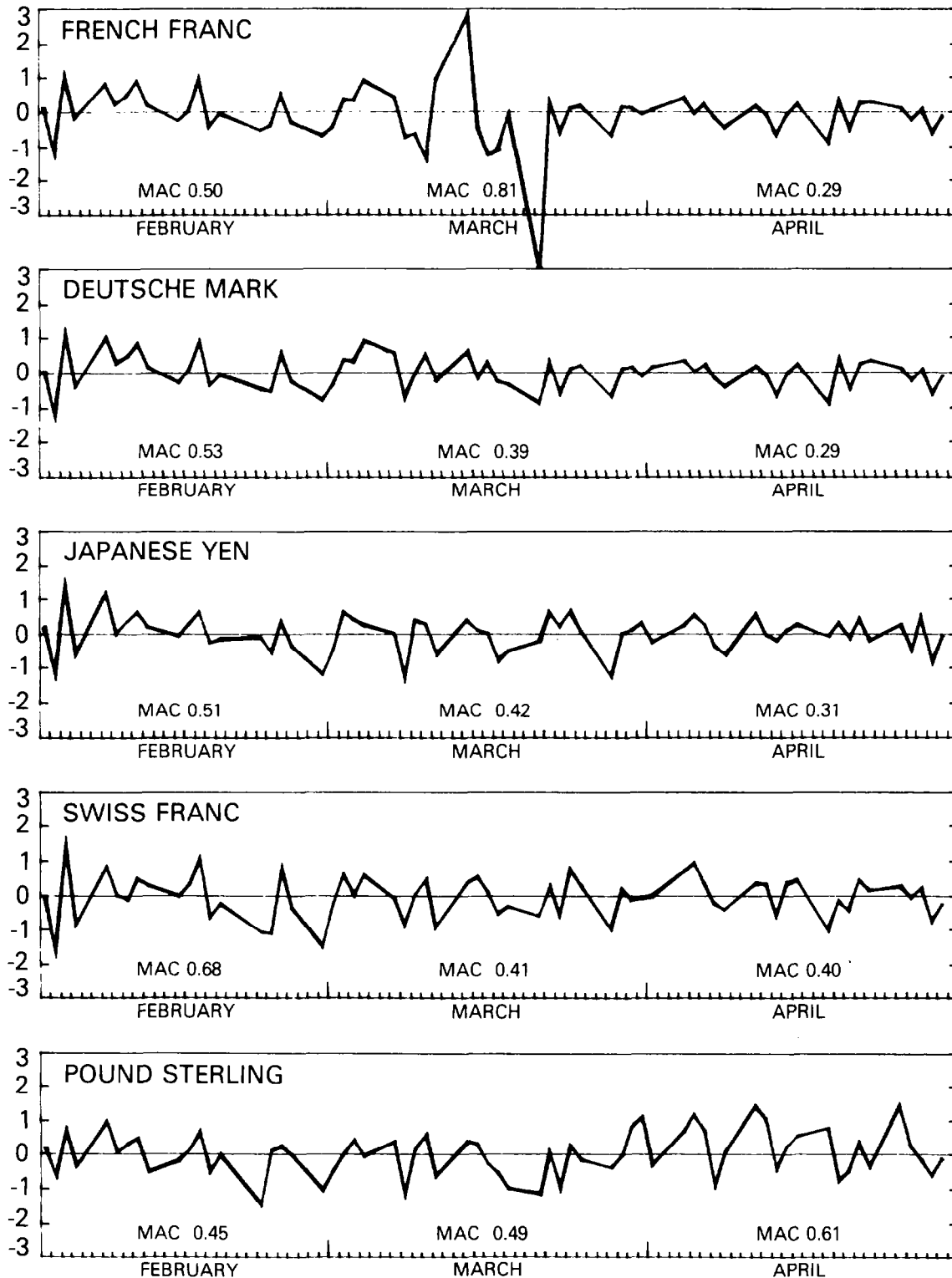


CHART 5
DAILY CHANGES IN SPOT EXCHANGE RATES

(In per cent against the U.S. dollar, based on noon quotations in New York)¹



¹Monthly averages of absolute changes (MAC) are also indicated.

CHART 6
INDEXES OF EXCHANGE RATES OF
FIVE MAJOR CURRENCIES AGAINST THE SDR

JUN. 1974 - APR. 1983

(June 28, 1974=100)

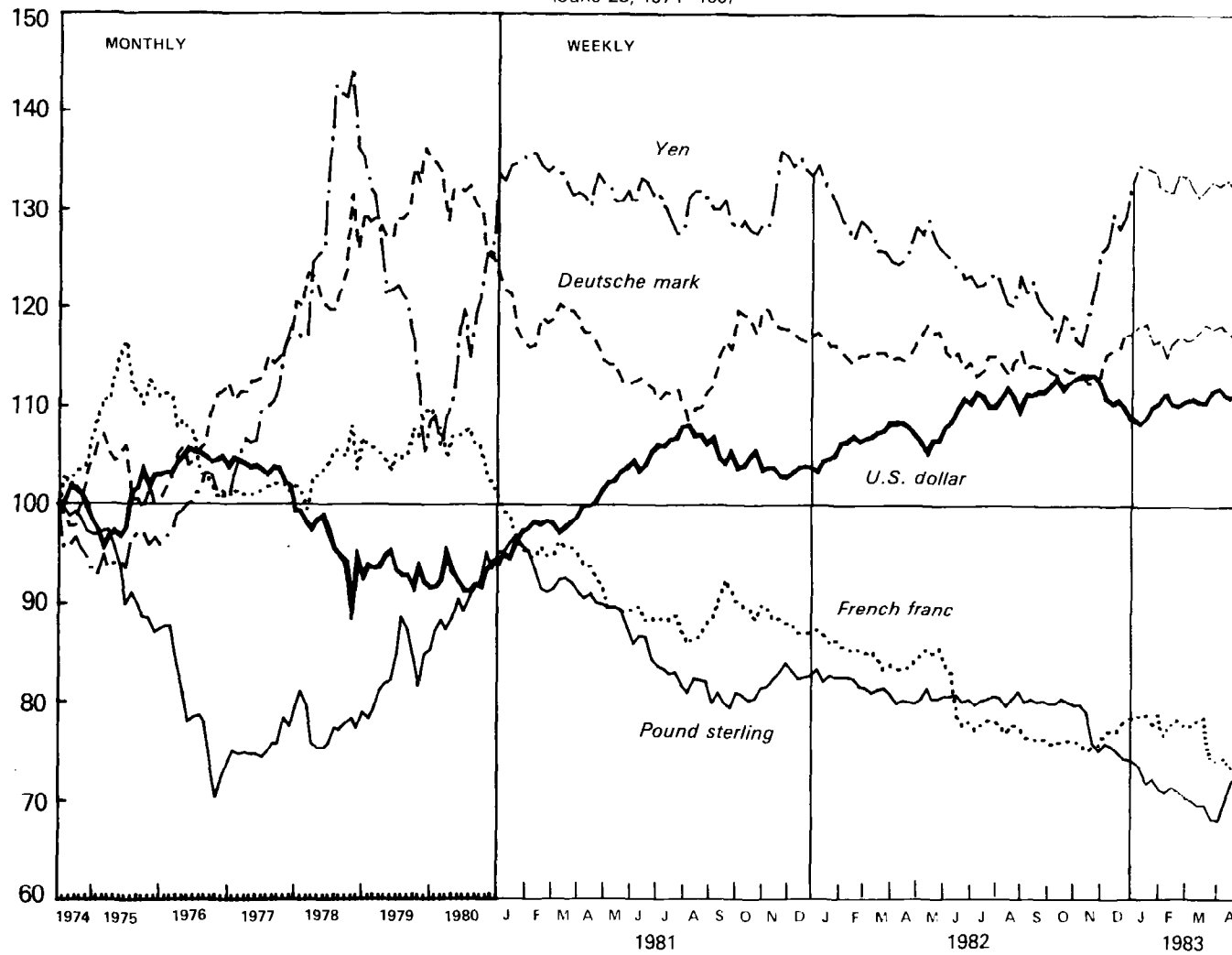
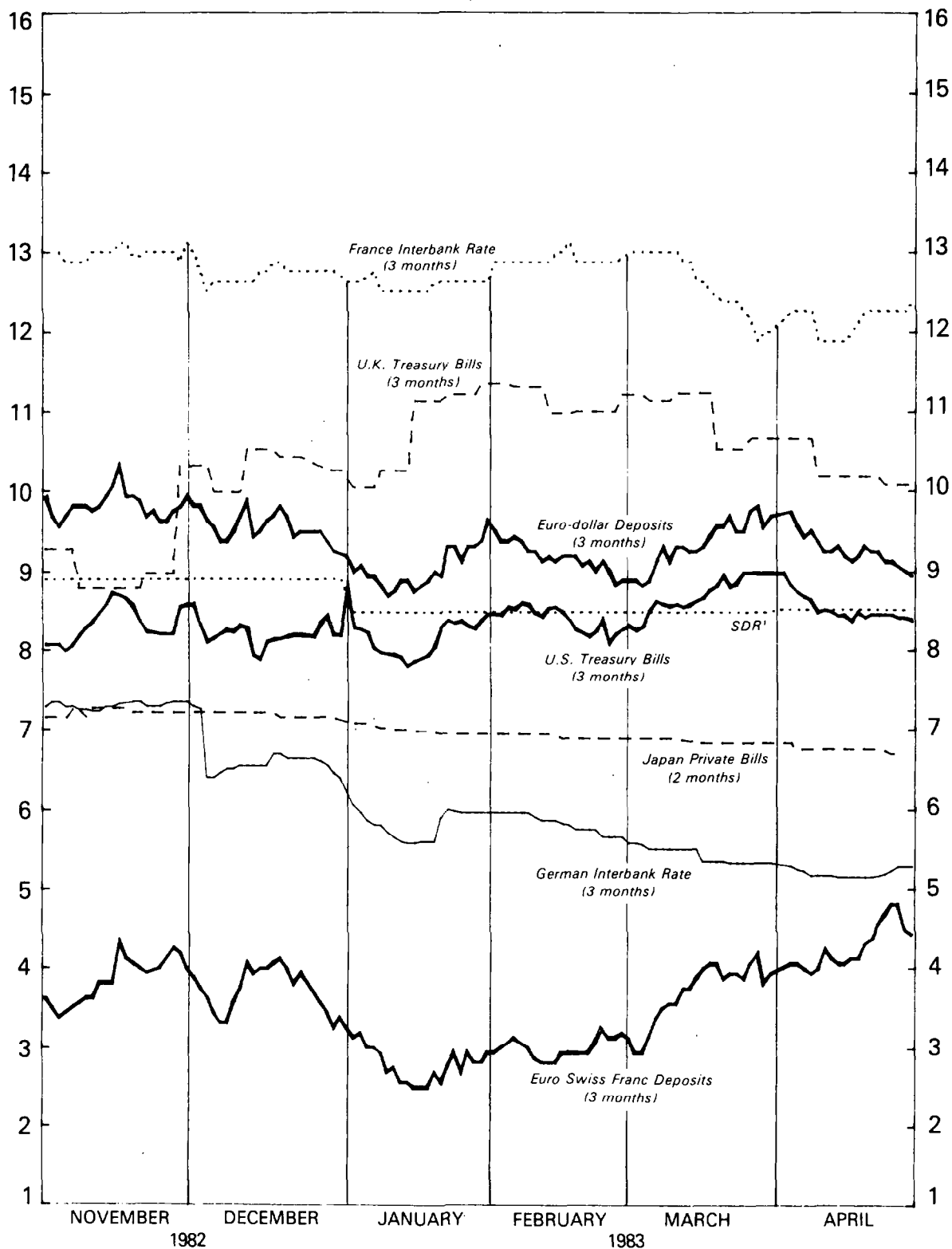


CHART 7 SHORT-TERM MONEY MARKET RATES

(Per cent per annum)



¹The rate of interest on SDR holdings for each quarter, under Rule T-1(b), is based on a combined market rate of interest.

CHART 8
THREE-MONTH FORWARD RATES
Margins from Spot Rates based on noon quotations in New York
(Per cent per annum)

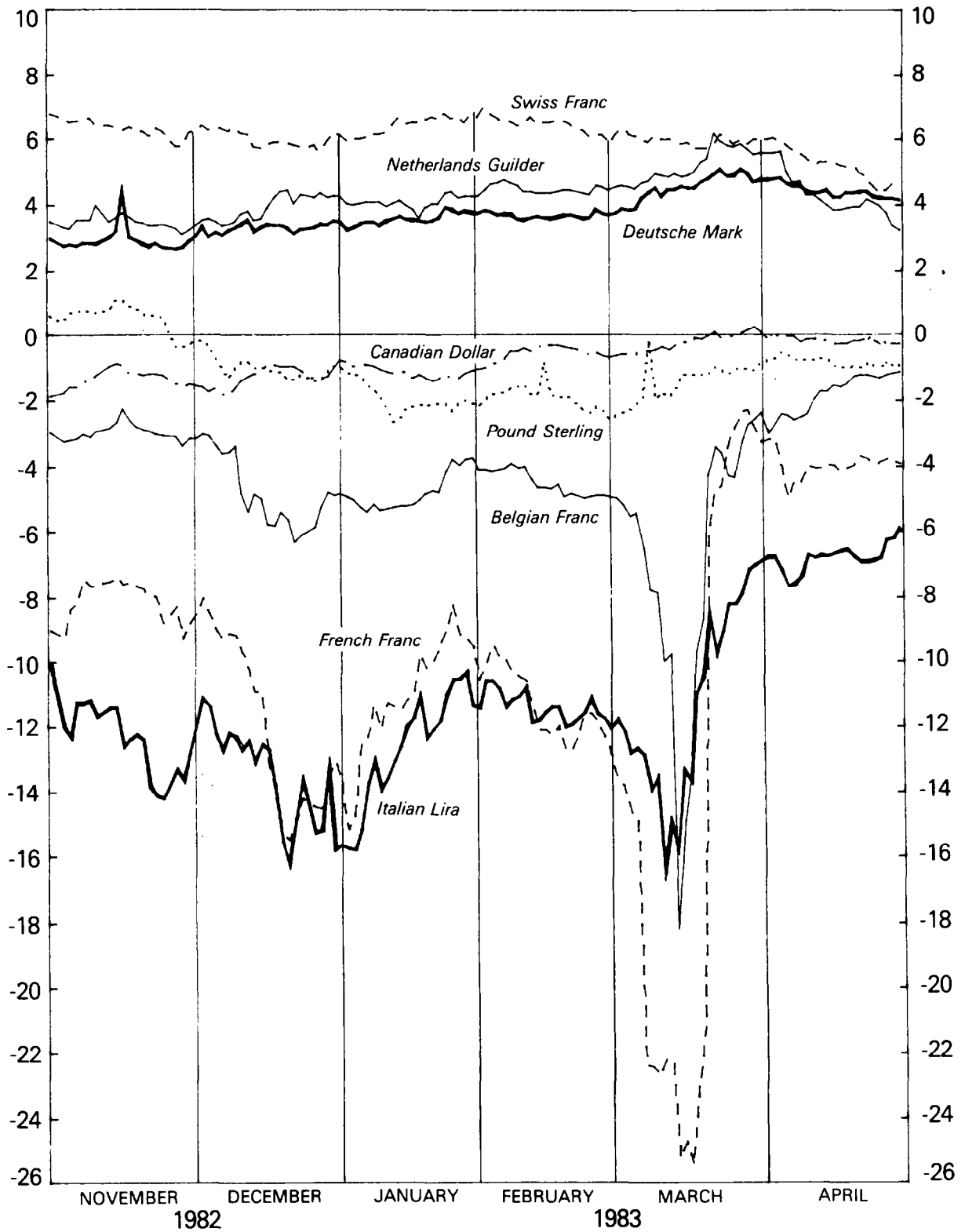
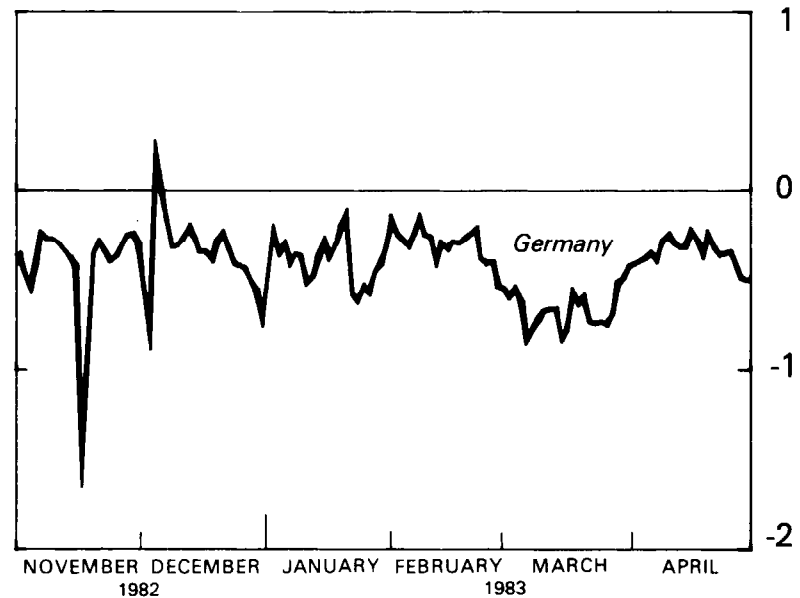
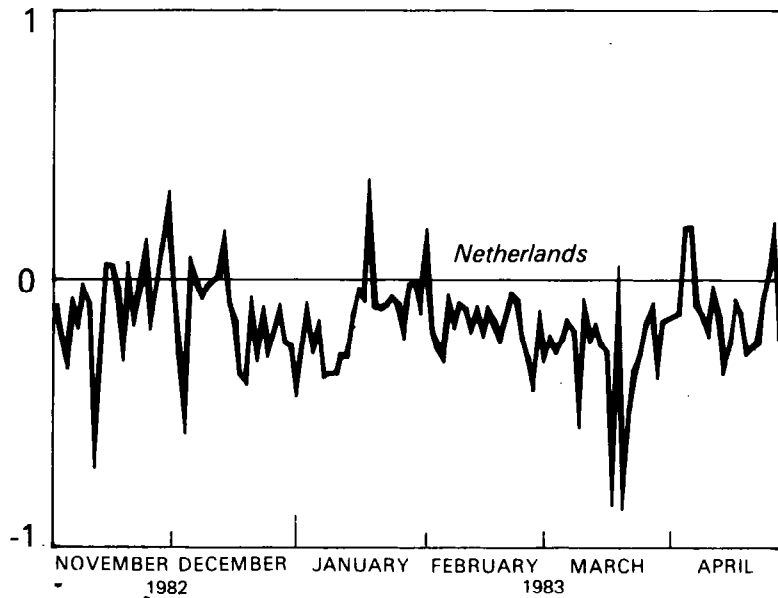
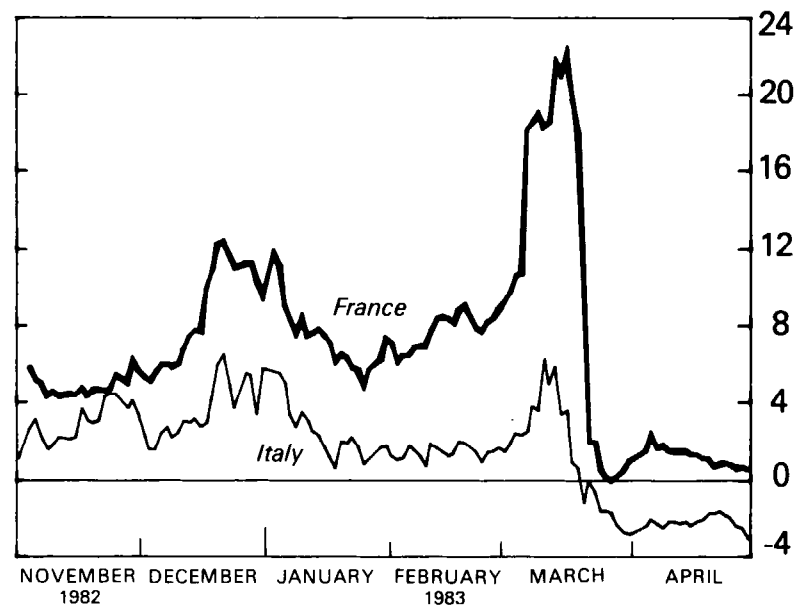
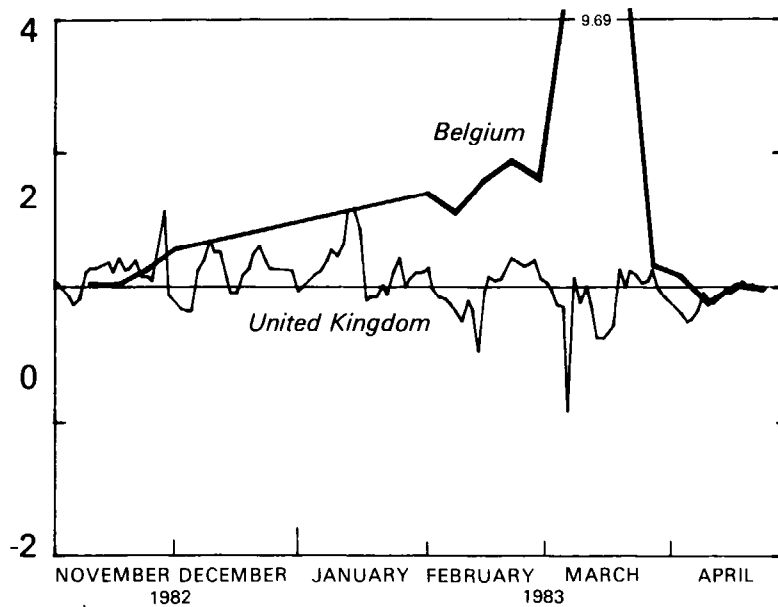


CHART 9

COVERED INTEREST DIFFERENTIALS BETWEEN THREE-MONTH EURO-DOLLAR DEPOSITS AND LOCAL SHORT-TERM INVESTMENTS

(+ IN FAVOR OF EURO-DOLLAR AND - IN FAVOR OF DOMESTIC INVESTMENT)



Foreign Exchange Rates, March-April 1983 1/

	M a r c h					A p r i l			
	2	9	16	23	30	6	13	20	27
Austrian schilling	17.0650	16.9250	16.8050	17.0825	17.0275	16.9450	17.0550	17.3150	17.2550
Belgian franc									
Official	47.885	47.655	46.725	47.725	48.105	47.950	48.605	49.020	48.785
Financial	50.515	50.250	49.950	50.050	49.050	48.950	48.955	49.350	49.085
Canadian dollars	0.81623	0.81470	0.81823	0.81470	0.81268	0.81008	0.81027	0.81021	0.81470
Danish kroner	8.6625	8.6700	8.5775	8.6150	8.6150	8.5650	8.6625	8.7370	8.7100
Deutsche mark	2.43250	2.40600	2.38050	2.42400	2.42700	2.41200	2.44125	2.46080	2.44825
French francs	6.9005	6.8750	6.8300	7.2662	7.2750	7.2315	7.3165	7.3795	7.3412
Irish pounds	1.3640	1.3768	1.3888	1.3045	1.3016	1.3080	1.2962	1.2840	1.2905
Italian lire	1405.500	1429.000	1417.000	1442.000	1447.000	1434.000	1450.500	1464.500	1456.500
Japanese yen	237.400	237.675	237.175	238.750	239.725	236.975	238.450	237.330	236.200
Netherlands guilder	2.6898	2.6658	2.6405	2.7148	2.7258	2.7185	2.7498	2.7715	2.7610
Norwegian kroner	7.1575	7.1825	7.1138	7.2250	7.2025	7.1325	7.1500	7.1560	7.0875
Pounds sterling	1.5055	1.5030	1.5104	1.4583	1.4670	1.5173	1.5368	1.5428	1.5685
Swedish kroner	7.4725	7.4625	7.4000	7.5500	7.5625	7.4725	7.5025	7.5140	7.4675
Swiss francs	2.05450	2.06100	2.04925	2.08625	2.08350	2.04425	2.05550	2.07225	2.05175

1/ Wednesday noon spot quotations in New York, expressed in terms of currency units per U.S. dollar, except for the Canadian dollar, the Irish pound, and the pound sterling which are expressed in U.S. dollars per currency unit.

Short- and Medium-Term Interest Rates

APPENDIX B

(Monthly and weekly averages)

	National Money Markets 1/						Euro-currency Markets 2/						Lending Rate		U.S. Treasury Securities 5/
	United States (1)	Germany (2)	United Kingdom (3)	France (4)	Japan (5)	Weighted average (6)	U.S. dollar (7)	Deutsche mark (8)	Pound sterling (9)	French franc (10)	Japanese yen (11)	Swiss franc (12)	LIBOR 3/ (13)	U.S. prime 4/ (14)	
1982															
May	12.66	9.31	13.36	16.39	7.29	11.88	14.61	8.67	13.35	24.97	7.06	3.93	14.62	16.50	13.75
June	13.04	9.40	12.86	15.90	7.37	11.99	15.55	8.98	13.05	18.70	7.22	5.38	15.75	16.50	14.43
July	11.73	9.58	12.29	14.83	7.40	11.20	14.39	9.00	12.39	15.77	7.27	4.38	14.96	16.26	14.07
Aug.	9.00	9.13	10.98	14.68	7.44	9.62	11.65	8.65	11.15	17.62	7.39	4.22	12.64	14.39	13.00
Sept.	8.21	8.29	10.36	14.24	7.31	8.94	11.85	7.83	10.93	19.43	7.38	4.08	12.75	13.50	12.25
Oct.	7.97	7.68	9.59	13.65	7.19	8.56	10.51	7.19	9.82	19.01	7.03	3.75	10.82	12.52	10.80
Nov.	8.34	7.41	9.08	13.16	7.23	8.59	9.82	7.07	9.35	18.77	7.12	3.83	10.06	11.85	10.38
Dec.	8.20	6.71	10.30	12.90	7.19	8.49	9.57	6.38	10.55	22.46	7.05	3.73	9.84	11.50	10.22
1983															
Jan.	8.15	5.90	10.72	12.76	7.00	8.32	9.01	5.53	11.17	21.16	6.52	2.80	9.25	11.16	10.03
Feb.	8.40	5.92	11.14	13.07	6.92	8.51	9.22	5.66	11.33	22.11	6.71	2.98	9.53	10.98	10.26
Mar.	8.67	5.52	10.95	12.77	6.85	8.50	9.32	5.06	10.98	26.92	6.71	3.67	9.53	10.50	10.08
Apr.	8.38	5.35	10.09	12.55	6.70	8.20	9.26	5.02	10.25	13.37	6.29	4.28	9.44	10.50	10.02
1982 Weekly															
May 7	13.12	9.34	13.59	16.45	7.21	12.12	14.81	8.74	13.48	22.22	6.98	4.12	14.80	16.50	13.87
14	12.95	9.33	13.28	16.35	7.27	11.99	14.53	8.53	13.14	22.47	6.95	3.56	14.49	16.50	13.69
21	12.43	9.26	13.25	16.35	7.27	11.74	14.63	8.71	13.41	26.25	7.08	3.76	14.66	16.50	13.72
28	12.03	9.30	13.32	16.38	7.34	11.58	14.48	8.68	13.41	27.90	7.19	4.20	14.54	16.50	13.74
June 4	12.64	9.27	13.18	16.48	7.34	11.87	14.63	8.72	13.22	27.75	7.13	4.25	14.75	16.50	13.98
11	12.60	9.31	12.77	16.48	7.34	11.82	14.93	8.98	12.92	n.a.	7.14	5.14	15.14	16.50	14.04
18	13.04	9.36	12.77	15.51	7.38	11.93	15.68	8.91	12.91	17.88	7.20	5.67	15.86	16.50	14.48
25	13.49	9.50	12.77	15.49	7.40	12.18	16.26	9.12	13.05	17.69	7.30	6.10	16.54	16.50	14.90
July 2	13.41	9.60	12.87	15.18	7.40	12.14	16.23	9.21	13.11	16.55	7.34	5.38	16.49	16.50	14.73
9	12.78	9.68	12.82	14.73	7.40	11.80	15.72	9.16	12.72	15.82	7.17	5.00	15.98	16.50	14.48
16	12.13	9.59	12.32	14.85	7.40	11.41	14.80	9.01	12.44	15.50	7.41	4.46	15.13	16.50	14.10
23	10.72	9.55	12.15	14.75	7.40	10.68	13.54	8.86	12.27	15.71	7.29	3.65	14.21	16.36	13.66
30	10.94	9.52	11.74	14.93	7.40	10.74	13.13	8.93	11.98	16.15	7.19	4.27	14.18	16.00	13.89
Aug. 6	10.18	9.44	11.54	14.88	7.42	10.34	12.48	8.78	11.61	16.38	7.21	4.28	13.38	15.29	13.62
13	10.08	9.48	11.22	14.63	7.42	10.23	12.75	9.11	11.38	16.58	7.49	4.47	13.75	15.00	13.59
20	8.14	9.10	11.10	14.64	7.47	9.20	10.74	8.56	10.88	16.44	7.44	4.08	11.75	14.71	12.53
27	7.75	8.67	10.32	14.73	7.46	8.85	10.64	8.21	10.85	20.48	7.43	4.06	11.68	13.79	12.38
Sept. 3	8.65	8.47	10.39	14.09	7.40	9.20	11.71	8.19	10.93	21.22	7.38	4.06	12.72	13.50	12.54
10	8.63	8.35	10.25	14.26	7.34	9.16	11.61	7.86	10.91	20.19	7.39	3.81	12.66	13.50	12.43
17	8.31	8.28	10.29	14.42	7.32	9.00	12.20	7.79	10.95	18.65	7.42	4.10	13.16	13.50	12.47
24	7.78	8.22	10.52	14.32	7.27	8.74	11.88	7.69	11.00	19.31	7.41	4.10	12.73	13.50	12.11
Oct. 1	7.77	8.22	10.32	14.04	7.25	8.68	11.65	7.82	10.73	18.28	7.29	4.34	12.29	13.50	11.74
8	8.20	8.00	10.12	13.98	7.21	8.82	11.56	7.59	10.50	17.54	7.30	4.25	12.00	13.50	11.29
15	7.72	7.65	9.82	13.66	7.21	8.46	10.24	7.05	9.70	17.88	6.88	3.55	10.45	12.86	10.46
22	7.78	7.50	9.35	13.59	7.15	8.40	9.94	6.95	9.43	20.45	6.90	3.49	10.23	12.00	10.50
29	8.19	7.44	8.96	13.24	7.17	8.52	10.07	7.04	9.50	20.35	6.95	3.61	10.35	12.00	10.73
Nov. 5	8.04	7.42	9.28	13.10	7.19	8.46	9.74	6.99	9.29	19.00	7.01	3.49	9.93	12.00	10.34
12	8.35	7.35	8.78	13.12	7.25	8.55	9.82	7.07	9.16	n.a.	7.09	3.69	9.98	12.00	10.44
19	8.60	7.43	8.78	13.22	7.25	8.70	10.03	7.12	9.20	18.13	7.16	4.07	10.28	12.00	10.51
26	8.21	7.41	8.98	13.18	7.21	8.51	9.69	7.08	9.27	18.46	7.15	4.06	10.01	11.50	10.21
Dec. 3	8.42	7.23	10.32	13.03	7.21	8.17	9.80	6.88	10.23	19.35	7.31	3.89	10.14	11.50	10.31
10	8.23	6.57	9.98	12.80	7.21	8.44	9.50	6.34	10.11	19.83	6.96	3.47	9.78	11.50	10.26
17	8.07	6.67	10.52	12.90	7.21	8.45	9.63	6.44	10.66	22.85	7.05	4.07	9.93	11.50	10.23
24	8.17	6.76	10.42	12.96	7.15	8.50	9.61	6.44	11.06	26.50	7.08	3.97	9.86	11.50	10.22
31	8.28	6.62	10.25	12.93	7.15	8.51	9.41	5.98	10.72	24.21	6.88	3.36	9.61	11.50	10.15
1983 Weekly															
Jan. 7	8.32	6.05	10.05	12.83	7.08	8.38	9.03	5.74	10.52	23.78	6.57	3.11	9.23	11.50	10.04
14	7.92	5.74	10.25	12.67	7.02	8.12	8.80	5.38	11.33	21.43	6.44	2.69	9.00	11.36	9.88
21	8.01	5.73	11.13	12.72	n.a.	n.a.	8.88	5.40	11.14	20.28	6.40	2.55	9.10	11.00	9.92
28	8.33	6.05	11.20	12.80	6.95	8.48	9.27	5.57	11.60	19.35	6.65	2.83	9.58	11.00	10.22
Feb. 4	8.45	6.03	11.34	12.95	6.95	8.56	9.45	5.75	11.57	20.30	6.69	2.95	9.80	11.00	10.38
11	8.51	6.00	11.30	13.05	6.95	8.59	9.29	5.80	11.24	21.00	6.73	2.99	9.66	11.00	10.45
18	8.44	5.90	10.98	13.16	6.91	8.51	9.18	5.68	11.13	23.63	6.68	2.89	9.46	11.00	10.28
25	8.22	5.78	11.00	13.05	6.89	8.37	9.08	5.49	11.40	22.85	6.74	3.03	9.31	11.00	9.95
Mar. 4	8.26	5.68	11.16	13.15	6.89	8.40	8.85	5.26	11.34	24.85	6.74	3.06	9.06	10.50	9.76
11	8.56	5.58	11.13	13.18	6.89	8.52	9.15	5.10	11.16	36.70	6.74	3.43	9.32	10.50	10.03
18	8.63	5.55	11.23	12.88	6.83	8.52	9.31	5.08	10.78	41.70	6.74	3.89	9.54	10.50	10.08
25	8.88	5.41	10.52	12.52	6.83	8.49	9.56	4.93	8.63	15.53	6.74	3.94	9.75	10.50	10.26
Apr. 1	8.97	5.40	10.66	12.17	6.83	8.53	9.70	4.95	10.86	12.22	n.a.	4.00	9.94	10.50	10.28
8	8.77	5.30	10.66	12.42	6.79	8.43	9.56	5.02	10.28	14.11	6.39	4.02	9.74	10.50	10.13
15	8.47	5.24	10.19	12.04	6.76	8.18	9.28	5.30	10.15	13.38	6.24	4.10	9.46	10.50	9.98
22	8.43	5.23	10.19	12.34	6.76	8.19	9.23	5.05	10.26	13.38	6.28	4.30	9.39	10.50	10.02
29	8.42	5.33	10.08	12.47	6.70	8.20	9.05	5.02	10.25	12.98	6.25	4.65	9.24	10.50	9.95

1/ As of January 1, 1981, the combined market interest rate under the amended Rule T-1 is calculated by multiplying the yield or rate on each of the respective instruments listed below by the number of units of the corresponding currency listed in Rule 0-1 and the value in terms of the SDR of a unit of that currency as determined by the Fund under Rule 0-2(a) and (b). The interest rates and the respective currency units (shown in parentheses) are as follows: market yield for three-month U.S. Treasury bills (0.54), three-month interbank deposit rate in Germany (0.46), three-month interbank money rate against private paper in France (0.74), discount rate on two-month (private) bills in Japan (34), and market yield for three-month U.K. Treasury bills (0.071).

2/ Euro-currency interest rates are those on three-month deposits for the U.S. dollar, the Deutsche mark, the Swiss franc, and the French franc (in London), and for the pound sterling (in Paris).

3/ LIBOR is six-month euro-dollar offered rate in London.

4/ Prime lending rate of major New York banks.

5/ Yield is adjusted to constant five-year maturity by the U.S. Treasury and is based on only recently issued, actively traded securities. The interest rate paid to lenders and charges on drawings under the Supplementary Financing Facility are based on this rate.