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INTERNATIONAL MONETARY FUND

Treasurer's Department

Foreign Exchange and Financial Markets in September 1984

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The U.S. dollar firmed dramatically against all other major currencies in the first three weeks of September, culminating in a speculative surge on Friday, September 21 which was quickly reversed by extensive intervention by the Bundesbank and reports of the U.S. Federal Reserve's presence in the market which was later denied. Exchange rate movements turned highly erratic from then on to the end of the month. For the month as a whole, the dollar firmed by 5.42-6.33 percent against the EMS currencies and the pound sterling; other currencies eased by 1.59-6.41 percent against the U.S. dollar with the Canadian dollar easing the least and the Japanese yen and the Swiss franc easing by 2.02 percent and 4.82 percent respectively. During the period September 1-20, the Bundesbank steadily sold U.S. dollars at the fixings in Frankfurt and occasionally in the open market totaling about $800 million. But the dollar's appreciation continued, rising dramatically on September 21 against all major currencies, trigerring a massive intervention by the Bundesbank (aggregating over $500 million on that day), which brought about an equally sharp depreciation of the dollar in just a few hours. The reversal might have also been aided in part by the market belief that the U.S. Federal Reserve was also selling dollars, and a reduction of the prime lending rate by a major U.S. bank to 12.75 percent from 13.0 percent. An idea about the movement of some key exchange rates up to and on September 21 can be obtained from Table 1.

Exchange rate movements continued to remain highly volatile with wide bid-ask spreads on Monday, September 24; the Bundesbank reportedly sold about $200-$300 million in Asian markets and in early trading in Europe. The Bank of England, the Bank of France, the Bank of Japan and the U.S. Federal Reserve were also believed by market participants to have intervened to moderate the dollar's rise but these reports were not officially confirmed. The National Bank of Belgium, however, confirmed later that it sold U.S. dollars that day as part of a joint effort with other European central banks to limit the dollar's appreciation. There were also reports that on September 26 the Bundesbank, the Bank of England,

Table 1. Movement of Key Exchange Rates up to and on the Morning of September 21, 1984

Currency	Exchange rates (New York) 1/ August 31 (noon) (1)	September 21 (morning) Low (2)	September 21 (morning) High (3)	Percentage change 2/ Up to the low on the morning of Sept. 21	Percentage change 2/ Low-high on the morning of Sept. 21
Deutsche mark	2.8890	3.1695	3.0500	-8.85	+3.92
French franc	8.8645	9.7150	9.3950	-8.75	+3.41
Japanese yen	241.85	247.75	242.50	-2.38	+2.16
Pound sterling	1.3080	1.2110	1.2500	-7.42	+3.22
Swiss franc	2.4085	2.5760	2.500	-6.50	+3.04

1/ Currency units per U.S. dollar except for the pound sterling which is in terms of U.S. dollars per pound.
2/ A negative (positive) sign indicates depreciation (appreciation) against the dollar.

and the Bank of France sold $200-300 million which helped bring about a significant decline in the value of the dollar on that day. A reduction of the prime lending rate from 13 percent to 12.75 percent by most major U.S. banks appeared to have aided these concerted efforts to quieten the market. The dollar, however, firmed significantly again on the last trading day of the month on the announcements of a higher than expected rise in the index of leading economic indicators in August and a narrowing of the U.S. trade deficit.

For the month as a whole, the U.S. dollar recorded a very sharp appreciation (up to 6.41 percent) against other major currencies (see Table 2 and Charts 1, 3, and 4) resulting in a 3.27 percent rise in effective (MERM) terms and a 1.74 percent gain against the SDR; the dollar's 12-month effective (MERM) appreciation widened to nearly 11 percent. The only other currency to firm in effective (MERM) terms in September was the Japanese yen. The value of the SDR dropped below one dollar for the first time on September 17 and on September 21 the SDR was equal to $0.985217. The strength of the dollar in recent months has been attributed to an increasing confidence by foreigners in the economic and political stength of the United States. The U.S. economy is being perceived as having the ability to adapt to change and grow without serious resurgence of inflation, despite mounting trade and budget deficits. Capital flows were attracted into the United States not only by the high inflation-adjusted yields on U.S. fixed income instruments but also to equity investments where investors apparently saw significant profit potential. Foreign investments in the United States reportedly rose to $158.3 billion in the first half

of 1984, compared with $33.9 billion in all of 1983. Another argument advanced for the dollar's strength was that the supply of U.S. dollar-denominated assets outside the United States has almost stopped growing; dollar reserves of central banks declined between 1981 and 1983 and it has been argued that the growth rate of private foreign holdings of dollars slowed sharply between 1981 and 1983. Other more specific factors suggested by market participants as contributing to the strength of the dollar in September were the abolition of nonresident withholding tax on certain types of newly-issued debt instruments and technical factors relating to the agreement with Mexico which now permit conversion of some of Mexico's U.S. dollar-denominated debts into other lower interest rate currencies; it was suggested that banks would need to buy dollars to repay deposits taken to fund these U.S. dollar-denominated loans.

Table 2. Changes in Exchange Rates in September 1984 1/

(In percent)

	Monthly exchange rate changes			Changes in effective exchange rate since September 1983 4/
	Against U.S. dollar 2/	Against SDR 3/	Effective exchange rate 4/	
Belgium	-6.33	-3.36	-1.60	-2.57
Denmark	-5.42	-2.16	-0.93	-4.27
France	-5.82	-2.85	-1.49	-4.90
Germany	-5.90	-2.89	-1.52	-3.62
Ireland	-5.66	-2.33	-1.07	-4.53
Italy	-5.93	-3.32	-1.94	-6.30
Netherlands	-5.82	-2.74	-1.15	-3.94
Austria	-5.87	-2.82	-1.72	-4.44
Canada	-1.59	+0.17	-0.26	-2.56
Japan	-2.02	+0.02	+0.40	+2.97
Norway	-6.41	-3.67	-2.67	-8.28
Sweden	-4.20	-1.38	-0.12	+0.28
Switzerland	-4.82	-1.99	-0.92	-7.02
United Kingdom	-5.62	-3.10	-1.96	-8.67
United States	--	+1.74	+3.27	+10.87

1/ Positive sign indicates appreciation of the currency.
2/ Based on New York noon quotations.
3/ SDR rates are derived from representative exchange rates advised to the Fund by members and the daily valuation of the SDR against the U.S. dollar.
4/ Based on the Fund's multilateral exchange rate model (MERM). Effective rates are based on representative exchange rates in the domestic markets, as officially advised to the Fund.

The volatility of exchange rate movements in September, as indicated by certain statistical measures in Table 3, increased markedly, reflecting both the strong rise in the U.S. dollar's exchange value and erratic movements in the last week of the month, generated mainly by actual and feared central bank intervention. The range within which major currencies traded against the U.S. dollar widened markedly for all currencies except the Japanese yen. The trading range for the EMS currencies widened to 6.1-6.7 percent from 1.8-2.4 percent in August. Except for the Japanese yen and the Canadian dollar, which had relatively narrow trading ranges, the range for the other major currencies also widened sharply to 4.0-6.6 percent from 1.7-3.8 percent in August. The average of absolute daily percentage changes for September (MAC in Table 3 and Chart 5) also increased to unusually high levels. For the EMS currencies the average MAC nearly doubled to 0.86 percent from 0.44 percent in August. Excluding the MAC for Canada, which is usually much smaller than for the other major currencies, the average change for the remaining currencies increased to 0.65 percent from 0.43 percent in August.

Table 3. Intra-Month Variations of Exchange Rates of Major Currencies 1/

	September 2/		High-low spread in percent 3/		MAC 4/	
	High	Low	Aug.	Sept.	Aug.	Sept.
Belgium	59.060	63.025	2.1	6.7	0.43	0.82
Denmark	10.653	11.3085	2.1	6.2	0.42	0.83
France	8.9925	9.5950	2.2	6.7	0.45	0.85
Germany	2.9295	3.1270	2.1	6.7	0.46	0.89
Ireland	1.0530	0.9920	2.2	6.1	0.45	0.92
Italy	1808.0	1930.0	1.8	6.7	0.40	0.83
Netherlands	3.3070	3.5285	2.4	6.7	0.47	0.90
Austria	20.610	21.970	3.5	6.6	0.43	0.88
Canada	0.76962	0.75772	0.9	1.6	0.13	0.18
Japan	243.70	247.15	2.1	1.4	0.38	0.40
Norway	8.3850	8.8550	1.7	5.6	0.36	0.59
Sweden	8.4100	8.7495	1.8	4.0	0.34	0.54
Switzerland	2.4470	2.5563	3.8	4.5	0.58	0.72
United Kingdom	1.2923	1.2215	2.0	5.8	0.47	0.76

1/ Exchange rates against the U.S. dollar at noon 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 percent.
4/ Monthly average of absolute daily changes in spot exchange rates in percentage terms.

The composition of the European Currency Unit (ECU) was revised on September 17 as a result of a review by the European Council, including in it, for the first time, the Greek drachma. The revision did not affect the operation of the exchange market intervention aspects of the EMS since Greece, like the United Kingdom is not a participant in the European Monetary System. The revision of relative weights of the component currencies in the ECU as well as the inclusion of the Greek drachma with a small weight, however, affected the computation of the divergence indicators in a minor way which, when a certain threshold (75) is breached, signals a presumption that some economic policy action should be taken by the member to bring its exchange rate more in line with those of other participants. At the time of the change, it may be noted, the divergence indicators of the participant currencies were well within their thresholds (see Chart 2).

The dramatic movement of the U.S. dollar during the month, especially against the European currencies, did not appear to cause any pressures within the EMS; the spread in the narrow band remained significantly below the maximum permitted margin of 2.25 percent although it widened from 0.68 percent at the end of August to 1.47 percent at the end of September. The Deutsche mark was at the top of the narrow band on the first day of the month but then lost ground and the Danish krone, and occasionally the Irish pound, were at the top during most of the month. The Belgian franc remained the weakest currency in the EMS while the Italian lira continued to be the strongest currency in terms of ECU central parities, maintaining a spread of about 2.0 percent over the Belgian franc, compared with its permitted 6.0 percent margin.

Changes in gross foreign exchange reserves for the latest month (August or September) were generally moderate except for a very large decline of nearly $2.7 billion recorded by Germany in September reflecting mainly the extensive intervention by the Bundesbank (see Table 4). The decline in Germany's reserves was about equally divided between ECU assets and other foreign exchange assets. Italy and Denmark recorded more moderate reserve declines. Switzerland and Belgium recorded notable increases in reserves during the month; Belgium's favorable reserve trend permitted the National Bank of Belgium to repay some of its ECU debt within the European Monetary System. Canada's reserves declined despite official borrowing of $200 million. Over the latest 12-month period, Germany's reserves swung into a sizable decline in September notwithstanding a significant increase shown in the preceding 12-month period. Norway, Sweden, and to a lesser extent Japan continued to show significant increases in reserves while Canada and the United Kingdom continued to record sizable reserve declines on a 12-month basis; information on France's reserves for September was not available.

Table 4. Foreign Exchange Reserves in September 1984 1/
(In millions of U.S. dollars)

	End-month reserve level	Change in September	Change over 12 months
Belgium	3,692	+434	-166
Denmark	3,379	-444	+246
France (August)	20,215	+159	+1,351
Germany	35,718	-2,698	-1,375
Ireland	2,098	-109	-404
Italy	18,389	-646	+718
Netherlands	8,153	-264	-324
Austria	3,403	-114	-701
Canada	1,873	-232	-1,376
Japan	21,436	+170	+984
Norway	7,690	+67	+2,311
Sweden	3,884	-33	+899
Switzerland	12,772	+632	+194
United Kingdom	6,621	-319	-2,283
United States	6,036	-154	-874

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 proceeds from other official borrowings.

I. Developments in Major Factors Affecting the Exchange Market

As explained earlier, the U.S. dollar firmed by 3.27 percent in effective (MERM) terms and 1.74 percent against the SDR in September in an environment of a highly volatile exchange market. It appeared that market confidence in U.S. economic and political stability outweighed the impact of heavy central bank intervention and a decline in U.S. interest rates. For the first time, the value of the SDR fell below one dollar; on September 21 the SDR was valued at $0.985217. European currencies, including those participating in the EMS eased against the dollar by 4.20-6.41 percent over the month while the Canadian dollar and the Japanese yen eased by lower margins. Various U.S. economic indicators seem to point to a slowdown in the pace of growth in the U.S. economy to a rate that is considered sustainable over the longer run without raising the fear of inflation. The preliminary "flash"

estimate of third quarter GNP showed an annual growth rate of 3.6 percent compared with a revised annual rate of 7.1 percent in the second quarter while the preliminary estimate of the growth in the implicit GNP deflator for the third quarter indicated an annual rate of 2.9 percent compared with 3.3 percent in the second quarter. The index of leading economic indicators rose 0.5 percent in August following revised declines of 1.1 percent in June and 1.8 percent in July. Industrial production fell 0.6 percent in September, the first decline since November 1982, but rose 7.3 percent year-on-year. The trade deficit narrowed to $9.86 billion in August from $14.06 billion in July while industrial capacity utilization was unchanged at 82.6 percent, marginally above the long-run historical average of 82.4 percent. The budget deficit, widened to $33.50 billion in August from $16.42 billion in July and $17.48 billion in August 1983; the sharply higher deficit was affected by a $14.5 billion social security payment made on August 31 because the legal payment date, September 1, fell on a Saturday. The civilian unemployment rate in September declined to 7.4 percent from 7.5 percent in August and the producer price index fell 0.2 percent in September and was only 1.6 percent higher year-on-year.

The Deutsche mark depreciated by 5.90 percent against the U.S. dollar and 1.52 percent in effective (MERM) terms despite massive intervention by the Bundesbank, totaling sales of about $1.7 billion, including about $500 million on September 21 to arrest a speculative surge in the value of the dollar. A senior German official was reported as indicating that the Bundesbank would continue to sell dollars to trim its holdings derived largely from interest income. The pace of economic recovery in Germany and in the rest of Europe has not been as strong as in the United States. Germany's industrial production, seasonally adjusted, fell 2.2 percent in August after a 13.8 percent rise in July following the settlement of a major industrial strike; the index was up 3.0 percent over August 1983. The unemployment rate declined to 8.6 percent in September from 8.9 percent in August, largely due to seasonal factors. The current account deficit widened to DM 1.3 billion in August from DM 0.3 billion in July but narrowed from DM 2.2 billion in August 1983. The producer price index rose 0.3 percent in September for a 2.7 percent rise year-on-year.

The French franc depreciated by 5.82 percent against the U.S. dollar and 1.49 percent in effective (MERM) terms. The Cabinet of the French Government proposed a 1985 budget which includes a deficit of F 140 billion (3 percent of forecast GDP) compared with the deficit of F 126 billion (3.5 percent of GDP) this year. The number of persons unemployed, seasonally adjusted, was unchanged in September; the unemployment rate was 10.3 percent. The trade balance, seasonally adjusted, swung into a surplus of F 3.5 billion in August from a deficit of F 595 million in July.

The Belgian franc depreciated by 6.33 percent against the U.S. dollar and 1.60 percent in effective (MERM) terms and remained the

weakest currency within the EMS. Belgium's industrial production rose 1.5 percent in June and was up 7.4 percent year-on-year while the unemployment rate declined to 12.2 percent in September from 12.5 percent in August. The wholesale price index declined 0.2 percent in August but was up 5.4 percent year-on-year.

The Netherlands guilder depreciated by 5.82 percent against the U.S. dollar and 1.15 percent in effective (MERM) terms. The Netherlands' budget deficit for 1985 was projected to narrow to the equivalent of 8.2 percent of national income from 10.5 percent in 1984. Industrial production, seasonally adjusted, fell 2.0 percent in July but was 4.2 percent higher year-on-year. The number of persons unemployed, seasonally adjusted, declined 1.6 percent in September and was down 0.6 percent year-on-year; the unemployment rate was 17.8 percent at the end of August.

The Danish krone depreciated by a slightly smaller margin than the other EMS currencies in September; it eased by 5.42 percent against the U.S. dollar and 0.93 percent in effective (MERM) terms and was at the top of the narrow band of the EMS parity grid through most of the month. The Danish central bank announced measures to curb an excessive increase in bank lending by reducing the borrowing limits for banks exceeding the central bank's credit expansion guidelines. Denmark's unemployment rate, seasonally adjusted, rose to 10.6 percent in August from 10.5 percent in July. The trade deficit, seasonally adjusted, widened to DKr 1.3 billion in August from DKr 976 million in July. The wholesale price index rose 0.4 percent in August and was up 6.6 percent year-on-year.

The Irish pound depreciated by 5.66 percent against the U.S. dollar and 1.07 percent in effective (MERM) terms. It occupied the position of the strongest currency in the narrow band of the EMS parity grid on occasions during the month. Ireland's trade balance, seasonally adjusted, swung into a deficit of £Ir 162.4 million in August from a surplus of £Ir 85.3 million in July. The consumer price index rose 7.9 percent year-on-year to mid-August compared with 9.7 percent year-on-year to mid-May.

The Italian lira depreciated 5.93 percent against the U.S. dollar and 1.94 percent in effective (MERM) terms. The lira remained the strongest currency in the EMS relative to ECU central parities and maintained a margin of about 2.0 percent over the Belgian franc throughout September. The lira's 12-month effective (MERM) depreciation of 6.3 percent, however, remained the largest among the EMS currencies. The budget proposed to the Parliament involves a projected deficit equivalent to 13-14 percent of GDP compared with the deficit of about 15 percent this year. Italy's industrial production fell 51.9 percent in August, because of seasonal factors, but rose 11.0 percent year-on-year. The trade balance swung into a deficit in August of Lit 1,474 billion from a surplus of Lit 702 billion in July and

widened from a deficit of Lit 1,395 billion recorded in August 1983. The wholesale price index rose 0.6 percent in August and 10.6 percent year-on-year.

The pound sterling depreciated by 5.62 percent against the U.S. dollar and 1.96 percent in effective (MERM) terms. From September 24, the Bank of England increased the number of times each day it released its trade-weighted sterling index in order to de-emphasize market attention on movements of sterling against the U.S. dollar and other major currencies. The pound's 12-month effective (MERM) depreciation increased to over 8.5 percent. U.K. economic indicators suggest the recovery may be faltering, partly due to industrial disruptions. The unemployment rate, seasonally adjusted, rose to 12.9 percent in September from 12.8 percent in August while the 12-month leading economic indicator fell 0.5 percent in August, the fifth consecutive monthly decline. Industrial production, seasonally adjusted, fell 0.2 percent in August, following an upward-revised drop of 1.1 percent in July, and was down 2.6 percent year-on-year. The public sector borrowing requirement narrowed to £1.53 billion in August from £1.74 billion in August 1983 while the current account balance, seasonally adjusted, swung into a deficit of £318 million in August from a surplus of £113 million in June. Producer output prices rose 0.5 percent in September for a 6.0 percent year-on-year rise.

The Swiss franc depreciated by 4.82 percent against the U.S. dollar and 0.92 percent in effective (MERM) terms, and the franc's 12-month effective (MERM) depreciation widened from 4.9 percent to 7.0 percent. Switzerland's unemployment rate declined to 10 percent in September from 1.1 percent in August. The trade deficit narrowed to Sw F 577.7 million in September from Sw F 992.9 million in August. The wholesale price index rose 0.6 percent in September and was up 3.1 percent year-on-year.

The Japanese yen depreciated by 2.02 percent against the U.S. dollar, significantly less than the European currencies, and appreciated 0.40 percent in effective (MERM) terms. Japan's industrial production, seasonally adjusted, rose 0.7 percent in August and was up 11.0 percent year-on-year while the unemployment rate, seasonally adjusted, declined to 2.77 percent in August from 2.79 percent in July. The current account surplus, seasonally adjusted, narrowed in August to $1.82 billion from $2.52 billion in July but the trade surplus widened sharply to $4.49 billion in September from $1.11 billion in August and $2.39 billion in September 1983. The wholesale price index rose 0.2 percent in September and was up 0.3 percent year-on-year.

The Canadian dollar depreciated much less against the U.S. dollar than the European currencies; it eased by 1.59 percent against its neighbor's currency and only 0.26 percent in effective (MERM) terms. The Canadian Government borrowed $200 million during the month to provide reserves to finance intervention support for the Canadian dollar. Industrial production rose 4.0 percent in July and was up 11.8 percent

year-on-year; the unemployment rate, seasonally adjusted, however, rose to 11.8 percent in September from 11.2 percent in August. The budget deficit declined to Can$1.80 billion in July from Can$3.17 billion in July 1983. The trade surplus, seasonally adjusted, narrowed to Can$1.4 billion in August from a record high of Can$2.1 billion in July. Industrial selling prices declined 0.1 percent in August (after rising 0.5 percent in July) but rose 3.6 percent year-on-year.

The Austrian schilling depreciated by 5.87 percent against the U.S dollar and 1.72 percent in effective (MERM) terms. The Norwegian krone was the weakest of the major currencies in September; it depreciated 6.41 percent against the U.S. dollar and 2.67 percent in effective (MERM) terms, and its 12-month effective (MERM) depreciation increased to over 8.0 percent. Effective September 24, the Bank of Norway set at 102, instead of 100, the index of the basket of currencies to which the krone's value is linked. The Swedish krona was the strongest of the European currencies; it depreciated 4.20 percent against the U.S. dollar and only 0.12 percent in effective (MERM) terms.

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

Short-term interest rates eased in most major industrial countries in September. In France, Belgium, Germany, and Canada interest rates declined for the second consecutive month, but by smaller margins in September than in August. In the United States, interest rates also declined in September after firming in the previous month. Interest rates in the United Kingdom, Italy, and Japan, however, firmed by varying degrees.

In the United States, short-term interest rates eased significantly in September. During the month, most of the economic indicators released tended to indicate continued moderation in the pace of economic growth in the United States. At the same time, the Federal Reserve entered the market several times during the month to add reserves to the system which helped push the Federal funds rate to below 11.25 percent during the last half of September and to an average of 11.30 percent for the month; the rate was mostly above 11 1/2 percent and averaged 11.64 percent in August. The bond-equivalent yield on three-month U.S. Treasury bills eased significantly from 11.06 percent at the end of August to 10.62 percent at the end of September, and the interest rate on three-month CDs declined similarly from 11.53 percent to 10.94 percent. Over the same period, the five-year constant maturity rate on U.S. Treasury securities fell from 12.77 percent to 12.48 percent. In tune with the general decline in interest rates, a major U.S. bank lowered its prime lending rate from 13 percent to 12 3/4 percent on September 21 and other major banks followed in the next week, with a few banks cutting their rate by 1/2 percentage point to 12 1/2 percent. The M1 measure of the U.S. money supply, seasonally adjusted, averaged $548.3 billion in the

Table 5. Inflation Rates and Short-Term Interest Rates

	Month 2/	Inflation rates 1/ (year-on-year percent changes) Wholesale price index		Consumer price index 3/		Short-term interest rates 4/ (end-of-month) Aug.	Sept.
Austria	Sept./Aug.	2.4	(3.3)	6.0	(5.6)	4.50	4.50
Belgium	Aug./Sept.	5.4	(8.3)	5.3	(5.7)	11.45	11.00
Canada	August	3.6	(4.0)	3.7	(4.2)	12.12	12.05
Denmark	June/Aug.	9.7	(9.7)	6.6	(6.6)	7.00	7.00
France	July/Sept.	12.9	(13.6)	7.1	(7.4)	11.41	11.15
Germany	Aug./Sept.	1.6	(3.8)	1.5	(1.7)	5.98	5.93
Italy	Aug./Sept.	10.6	(10.8)	9.8	(10.4)	16.63	17.31
Japan	August	0.2	(0.0)	1.9	(2.6)	6.38	6.44
Netherlands	June/Sept.	5.0	(5.0)	2.8	(2.8)	6.25	6.19
Norway	May/Sept.	6.4	(7.0)	6.1	(6.4)	8.00	8.00
Sweden	September	--	(--)	7.7	(7.8)	9.50	9.50
Switzerland	September	3.1	(2.9)	2.7	(2.9)	4.75	5.19
United Kingdom	September	6.0	(6.2)	4.7	(5.0)	10.16	10.19
United States	Sept./Aug.	1.6	(2.0)	3.8	(4.2)	11.06	10.62

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 Belgium, France and the United Kingdom, and cost of living index for Germany, the Netherlands, and Switzerland.

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

week ended October 1, slightly higher than the $546.7 billion recorded in the week ended August 27. The annual growth rate from the fourth quarter of 1983 base period was about 5 1/2 percent, compared with the target range of 4-8 percent for the year.

Among the countries participating in the European Monetary System, short-term domestic interest rates in September continued to ease in France, Belgium, and Germany but firmed in Italy. Early in the month, the Bank of France cut its money market intervention rate by 1/4 percentage point to 11 percent, the fourth cut since May. The three-month interbank money rate in France also fell from 11.41 percent at the end of August to 11.15 percent at the end of September. In Belgium, the rate on four-month Fonds des Rentes certificates was lowered three times during September after having been lowered as frequently in the previous month. The rate was cut by 0.15 percentage point, by 0.05 percentage point, and by 0.25 percentage point in each of the first three weeks of September, respectively, to stand at 11 percent. And as in August, the central bank reduced rates on one-, two-, and three-month Treasury bills in September; the continued absence of any significant pressure on the Belgian franc within the European Monetary System reportedly facilitated the easing of interest rates. In Germany, the three-month interbank money market rate eased slightly to 5.93 percent at the end of September from 5.98 percent at the end of August. In contrast, Italy raised its discount rate early in September by one full percentage point to 16 1/2 percent. The move was reportedly made to restrain rising internal demand which was affecting both the process of reducing inflation and the balance of payments. The discount rate had previously been falling steadily from a level of 17 percent in February. The three-month interbank rate in Italy rose from 16.63 percent at the end of August to 17.31 percent at the end of September and major Italian commercial banks raised their prime rate by one percentage point to 18 percent.

Among the other countries, short-term interest rates showed comparatively smaller changes with slightly firmer rates in the United Kingdom and Japan but slightly easier rates in Canada. The rate on three-month U.K. Treasury bills, which had posted very sharp changes in the previous two months, firmed by 0.03 percentage point in September to 10.19 percent at end-month. The latest Bank of England data released in the second week of October show that sterling M3, seasonally adjusted, rose by an estimated 1 1/4 to 1 1/2 percent in the five weeks to September 19 compared with 0.7 percent growth in the four weeks to August 15. This brought sterling M3 growth since mid-February to around 10 percent an annual rate, at the top of the target range of 6-10 percent annual rate growth for the period from February 1984 to April 1985. In Japan, the rate for two-month private bills was 6.44 percent at the end of September, 0.06 percentage point higher than the rate at the end of August. Japan's broadly defined money supply, M2 + CDs, rose 7.7 percent in August from a year earlier, the same year-on-year rise as in July. The three-month Canadian Treasury bill rate closed September at 12.05 percent, slightly lower than 12.12 percent at the end of August.

In the eurocurrency markets, short-term interest rates firmed in September for deposits denominated in most currencies other than the U.S. dollar while the eurodollar rate eased. The three-month euro-Swiss franc deposit rate firmed by 0.44 percentage point to 5.19 percent and the three-month euro-French franc and euro-Deutsche mark deposit rates firmed by 0.25 percentage point each to 11.56 percent and 5.81 percent respectively. The euro-sterling and euro-yen rates also firmed, but only slightly to 10.81 percent and 6.41 percent respectively. The three-month eurodollar rate eased by 0.50 percentage point to 11.44 percent.

As a result of the movements of eurodollar and domestic rates from the end of August to the end of September, the uncovered interest differentials favoring eurodollar investment narrowed for Belgium, France, Germany, Japan, the Netherlands, and the United Kingdom. The uncovered interest differential favoring domestic investment widened for Italy (see Table 6).

Table 6. Covered Interest Differentials for Three-Month Investments (End-month)

	Uncovered interest differentials 1/ (1)		Forward exchange quotations 2/ (2)		Covered interest differentials 1/ (3) = (1)-(2)	
	August	September	August	September	August	September
Belgium	+0.49	+0.44	+0.92	+0.64	-0.43	-0.20
France	+0.53	+0.29	+0.53	-0.14	0.00	+0.43
Germany	+5.96	+5.51	+6.72	+5.95	-0.76	-0.44
Italy	-4.69	-5.87	-2.30	-4.18	-2.39	-1.69
Japan	+5.56	+5.00	+5.84	+5.36	-0.28	-0.36
Netherlands	+5.69	+5.25	+5.91	+5.31	-0.22	-0.06
United Kingdom	+1.78	+1.25	+1.41	+0.85	+0.37	+0.40

1/ Positive sign indicates differential in favor of eurodollar 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 Japan the discount rate for two-month private bills is used, for the United Kingdom the three-month Treasury bill rate, 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.

In the forward markets, the premia against the U.S. dollar narrowed for the Belgian franc, the Deutsche mark, the Japanese yen, the Netherlands guilder, and the pound sterling, while the premium for the French franc at end-August switched to a discount at end-September. The discount against the dollar widened for the Italian lira. As a result of these movements in interest rates and forward exchange quotations, the covered interest differentials favoring domestic investment narrowed for Belgium, Germany, Italy, and the Netherlands but widened for Japan. The covered interest differential favoring eurodollar investment widened for the United Kingdom while for France the covered differential moved from zero to favoring eurodollar investment.

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

The SDR interest rate declined to 9.36 percent for the week beginning September 24 from 9.47 percent for the week beginning August 27 (see Table 7). The yield on three-month U.S. Treasury bills eased by 0.24 percentage point while the three-month interbank rate in France eased by a similar margin and the three-month interbank rate in Germany eased by 0.15 percentage point. Yields on the relevant instruments in Japan and the United Kingdom, however, firmed by 0.06-0.12 percentage point, only partially offsetting the easier yields on the other component instruments. The rate of remuneration paid on credit positions in the Fund (88.33 percent of the SDR interest rate) fell to 8.27 percent in the last week of September from 8.36 percent in the last week of July.

Table 7. The SDR Interest Rate and the Rate of Remuneration 1/

	August	September			
	27	3	10	17	24
SDR interest rate	9.47	9.56	9.54	9.41	9.36
Rate of remuneration	8.36	8.44	8.43	8.31	8.27

1/ The rates apply to the weeks beginning with the dates indicated above.

The combined domestic interest rates eased by 0.25-0.31 percentage point (see Table 8). Yields on the relevant U.S. instruments declined by 0.31-0.55 percentage point and those on the relevant instruments in Germany and France declined by 0.15-0.63 percentage point. Yields on U.K. and Japanese instruments also eased by 0.07-0.09 percentage point for the five-year maturity but firmed by 0.02-0.16 percentage point for shorter maturities except for the two and a half-year rate in Japan which eased by 0.14 percentage point.

The combined eurocurrency offered rates eased by 0.25 percentage point for both the three- and six-month maturities. For the three-month maturity, the 0.50 percentage point decline in the eurodollar interest rate more than offset the firming by 0.06-0.13 percentage point of euro-Deutsche mark, euro-sterling, and euro-French franc interest rates; the euro-yen interest rate was unchanged. For the six-month maturity, the eurodollar interest rate eased by 0.50 percentage point while the euro-French franc rate eased by 0.31 percentage point. Other rates firmed by 0.06-0.13 percentage point.

Average interest rates on SDR-denominated deposits of selected commercial banks eased. Deposit rates declined by 0.27 percentage point for the one-month maturity, by 0.20 percentage point for the three-month maturity and by 0.25 and 0.36 percentage point for the six- and twelve-month maturities respectively. The yield curve continued to be positively sloped, from 9.40 percent for one-month deposits in September through 9.66 percent and 9.86 percent for three- and six-month deposits respectively to 10.08 percent for 12-month deposits.

Table 8. Yields on Selected SDR-Denominated Assets 1/

	August	September
Combined market interest rates: 2/		
a. Based on domestic rates		
3-month maturity (Rule T-1)	9.60	9.35
6-month maturity	9.94	9.69
12-month maturity	10.25	9.94
2-1/2 year maturity	10.88	10.63
5-year maturity	11.19	10.94
b. Based on eurocurrency offered rates		
3-month maturity	10.13	9.88
6-month maturity	10.38	10.13
Average commercial bank deposit rates 3/		
1-month deposits	9.67	9.40
3-month deposits	9.86	9.66
6-month deposits	10.11	9.86
12-month deposits	10.44	10.08

1/ Rates pertain to last Wednesday of the month.

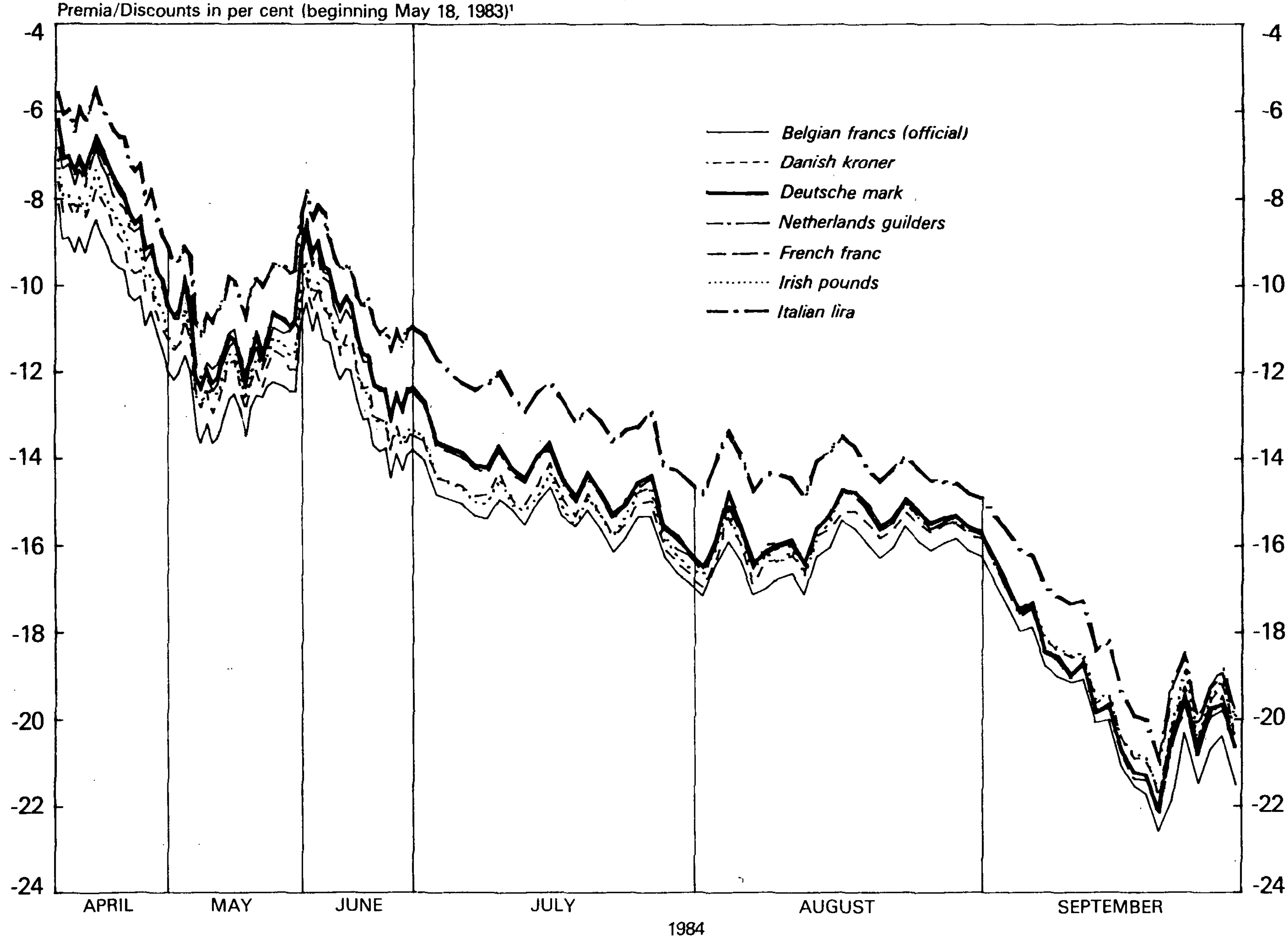
2/ Combined market rates (according to the Rule T-1) are calculated by multiplying the yields or rates of each of the respective instruments by the number of units of the corresponding currency listed in Rule O-1 and the value in terms of the SDR of a unit of that currency as determined by the Fund under Rule O-2(a) and (b). Combined interest rates are those that are applicable to Fund-related assets, appropriately rounded.

3/ Average of rates quoted by selected commercial banks.

CHART 1

SPOT EXCHANGE RATES: EUROPEAN MONETARY SYSTEM

(Based on noon quotations in New York)



[1]Effective May 18, 1983 the central ECU rate of the pound sterling was appreciated and those of the other participants depreciated in connection with the Common Agricultural Policy. Premia/discounts over declared ECU central rates have been converted into U.S. dollar terms at the rate of 1 ECU = .920041.

CHART 2

EUROPEAN MONETARY SYSTEM: DIVERGENCE INDICATORS

(Based on noon quotations in London)

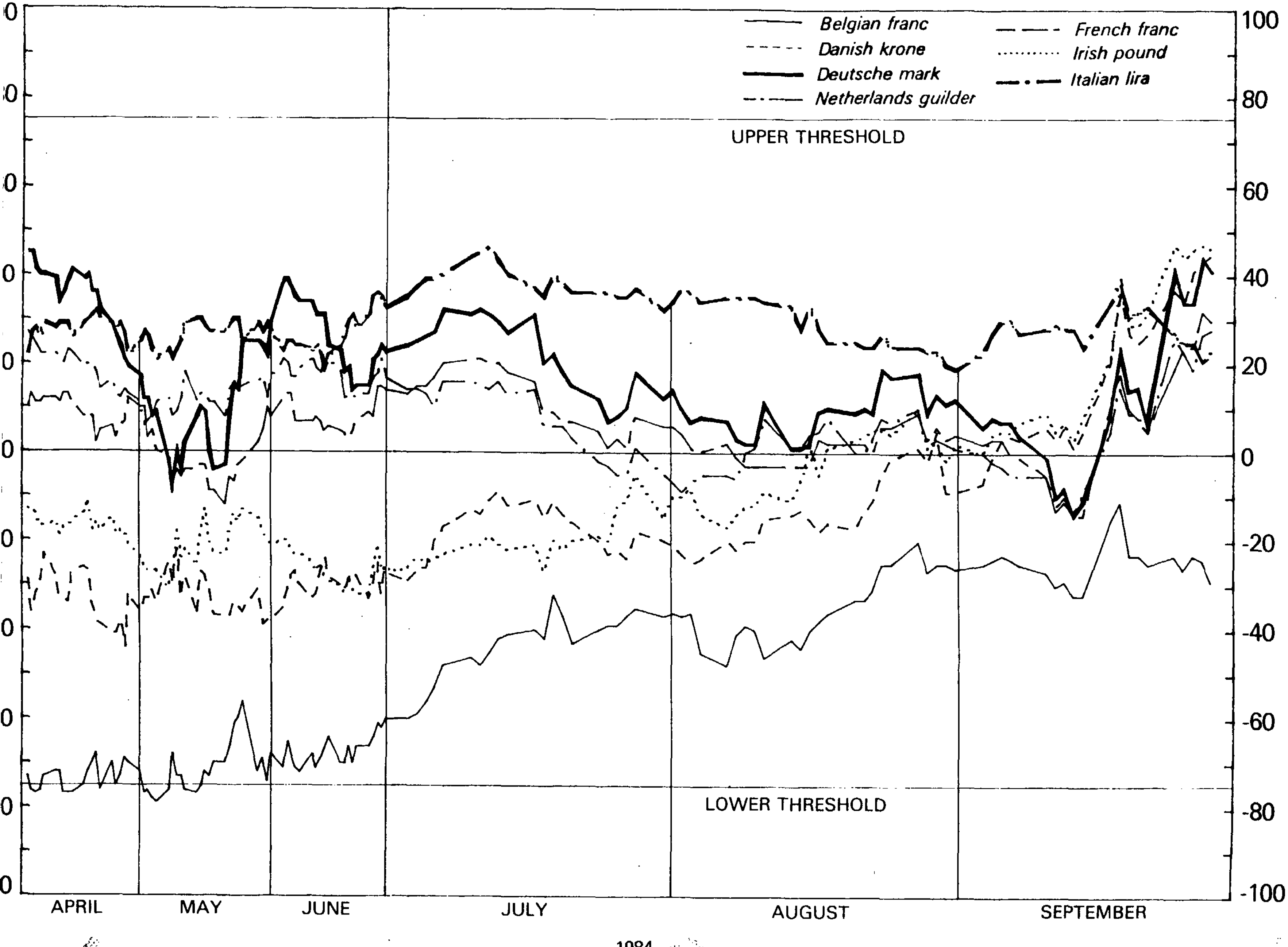


CHART 3

SPOT EXCHANGE RATES

(Noon quotations in New York)

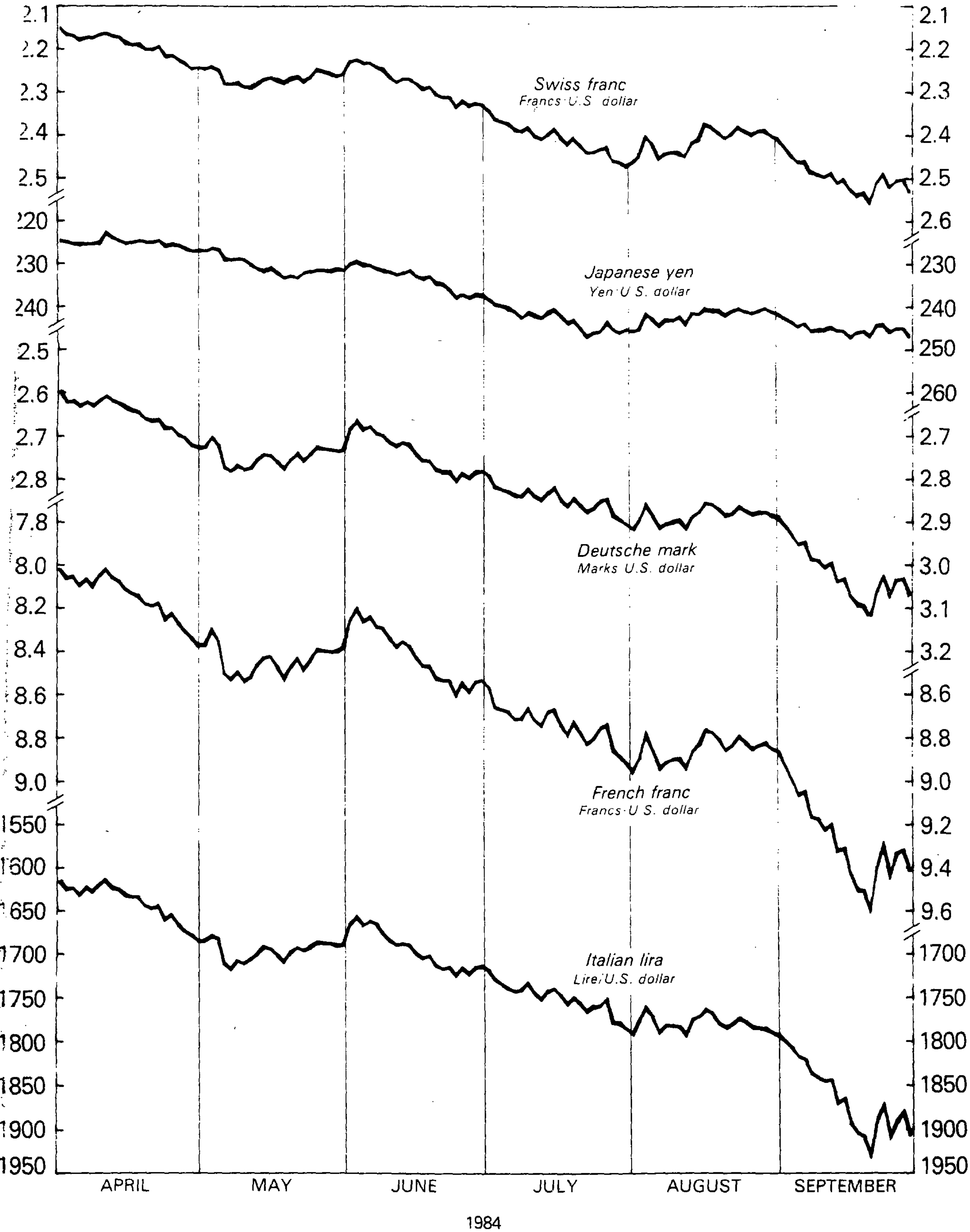


CHART 4

SPOT EXCHANGE RATES

(Noon quotations in New York)

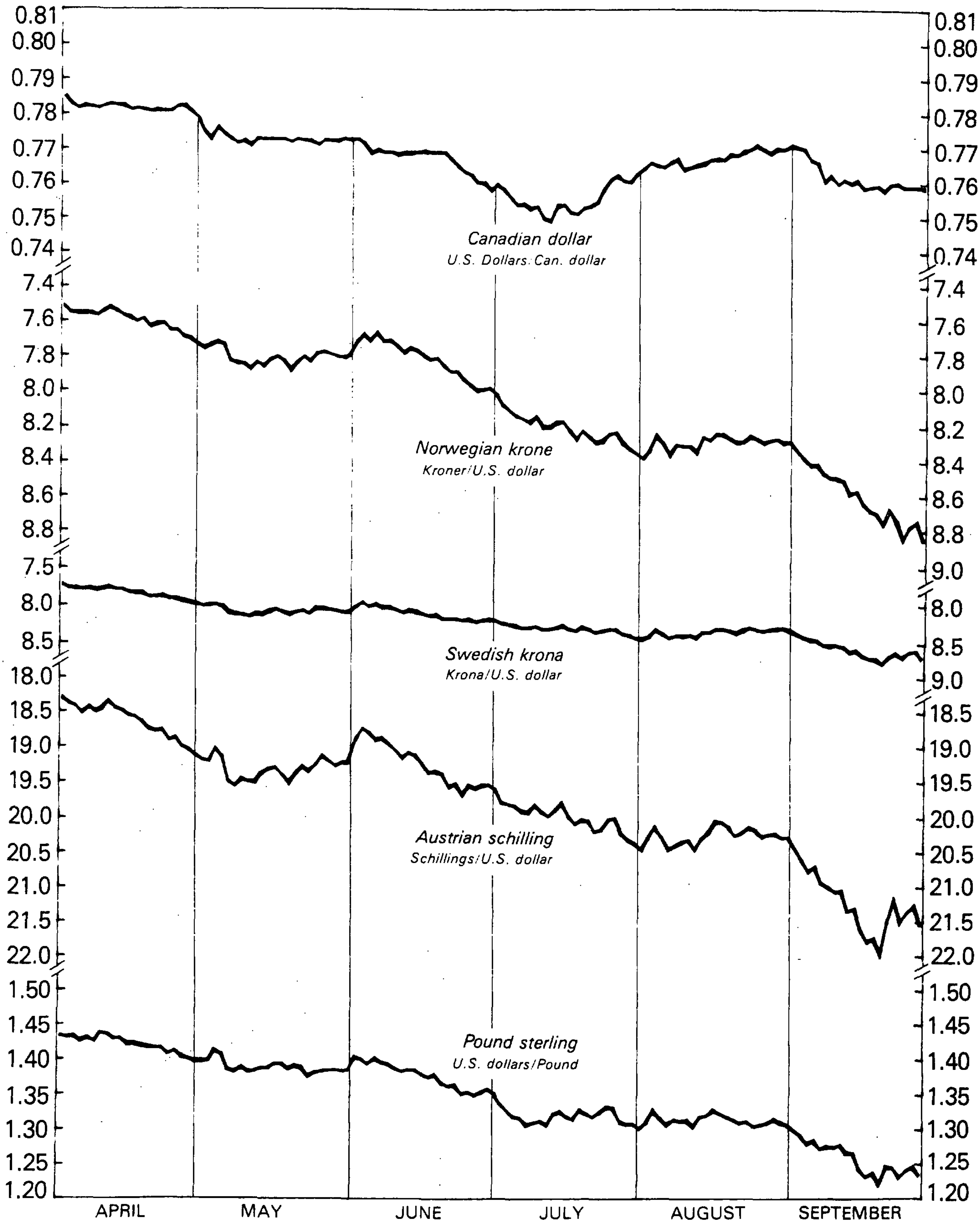
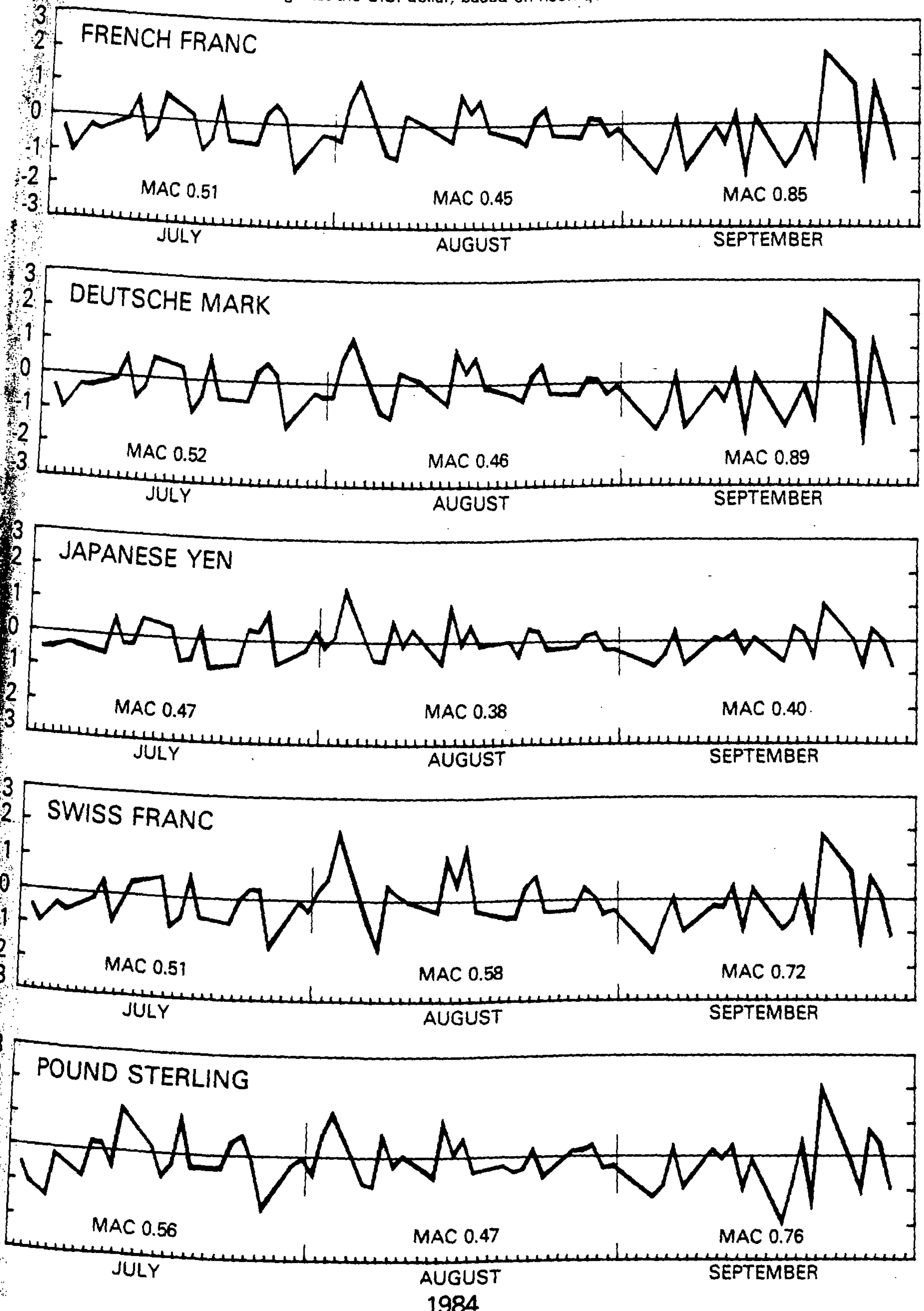


CHART 5

DAILY CHANGES IN SPOT EXCHANGE RATES

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



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

CHART 6

INDEXES OF EXCHANGE RATES OF FIVE MAJOR CURRENCIES AGAINST THE SDR

JUNE 1974 - SEPTEMBER 1984

(June 28, 1974=100)

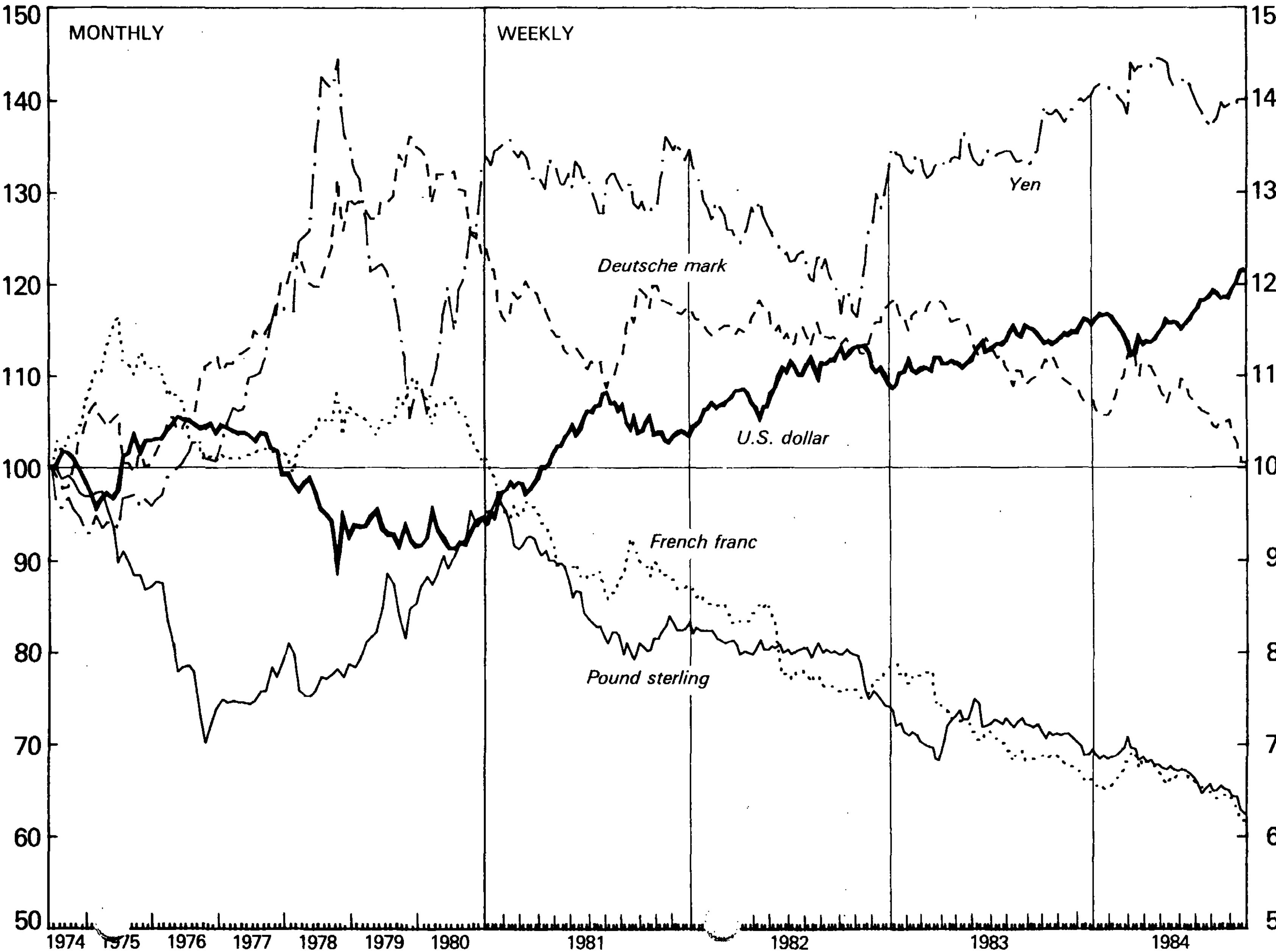


CHART 7

SHORT-TERM MONEY MARKET RATES

(Per cent per annum)

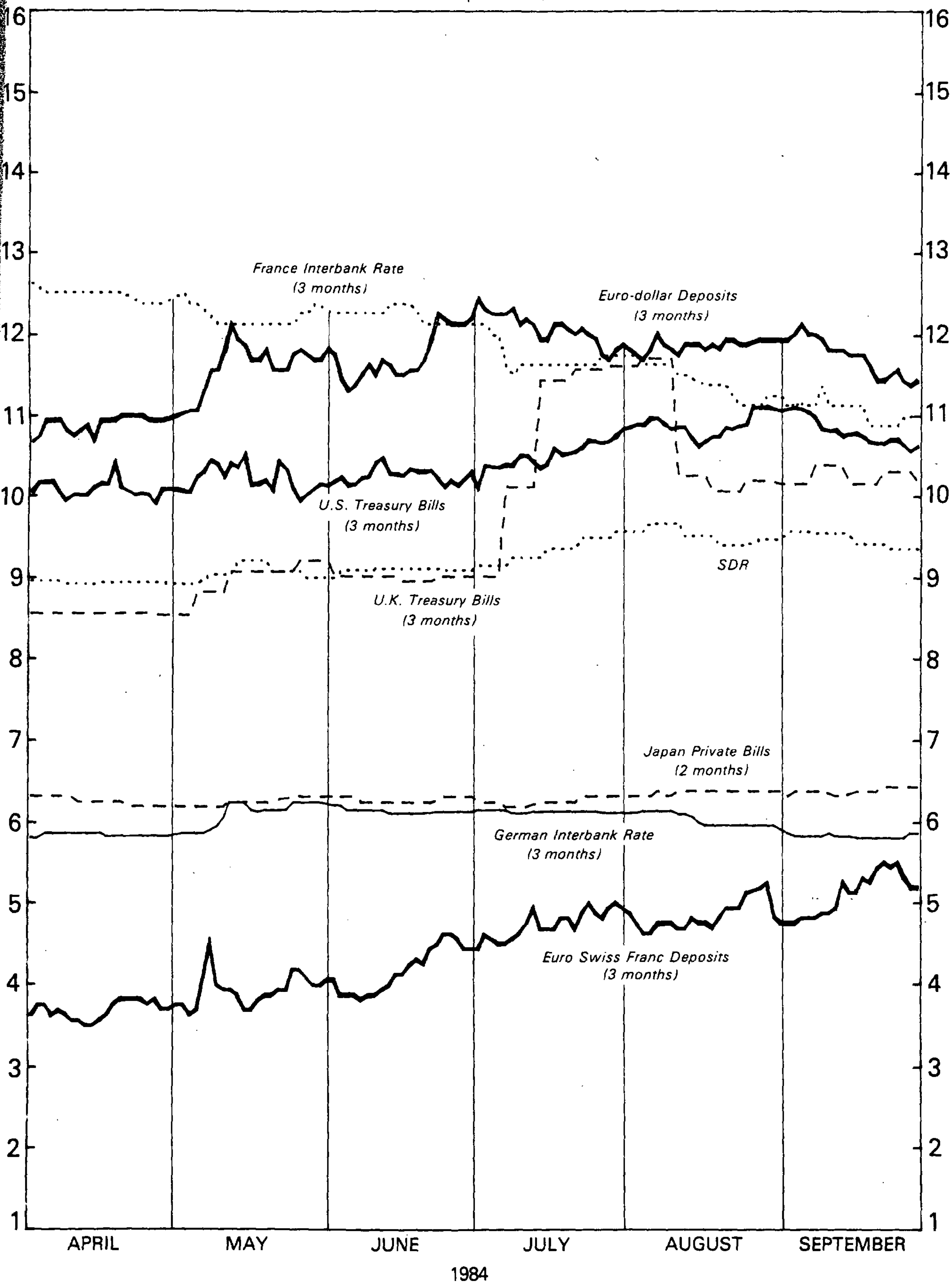
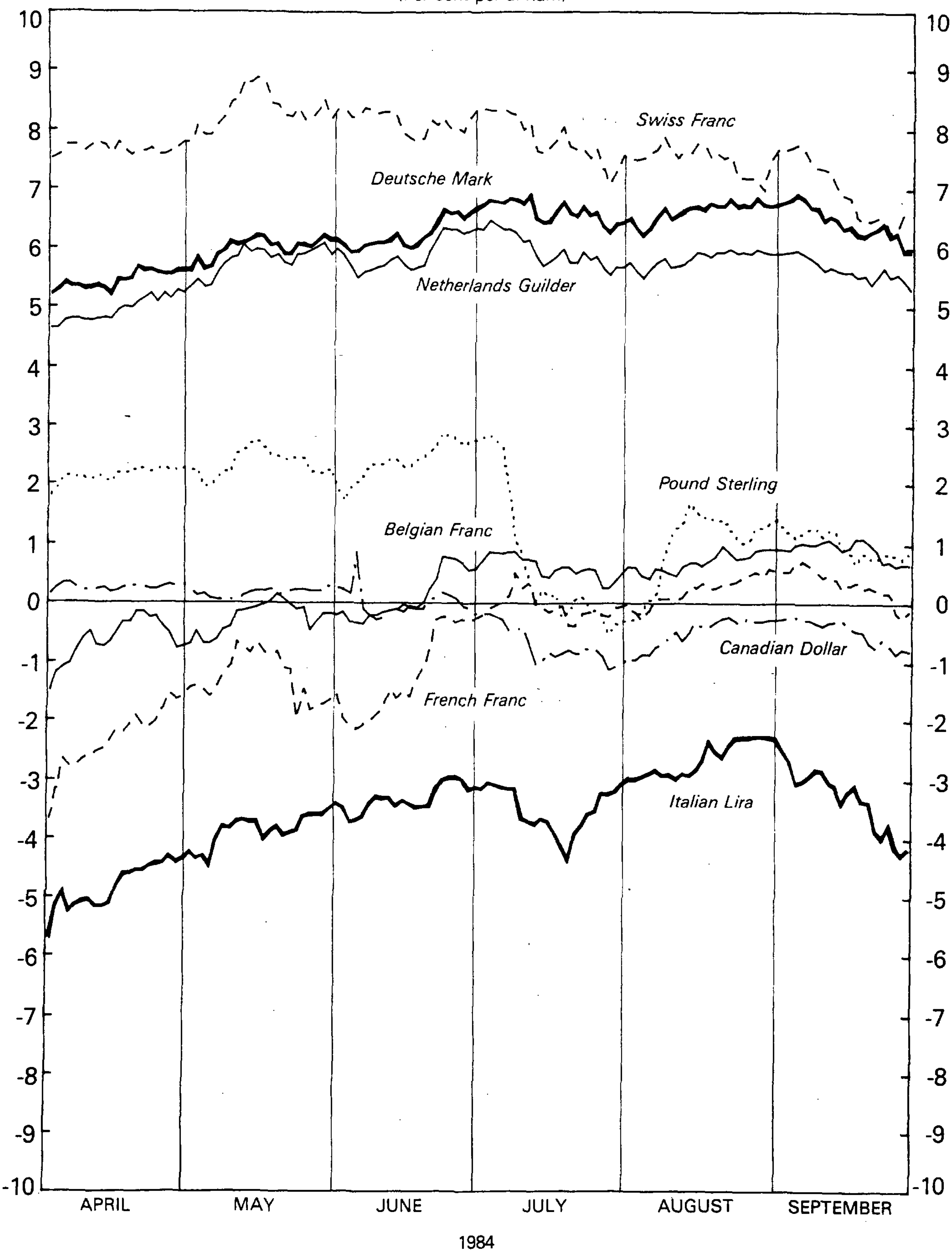


CHART 8

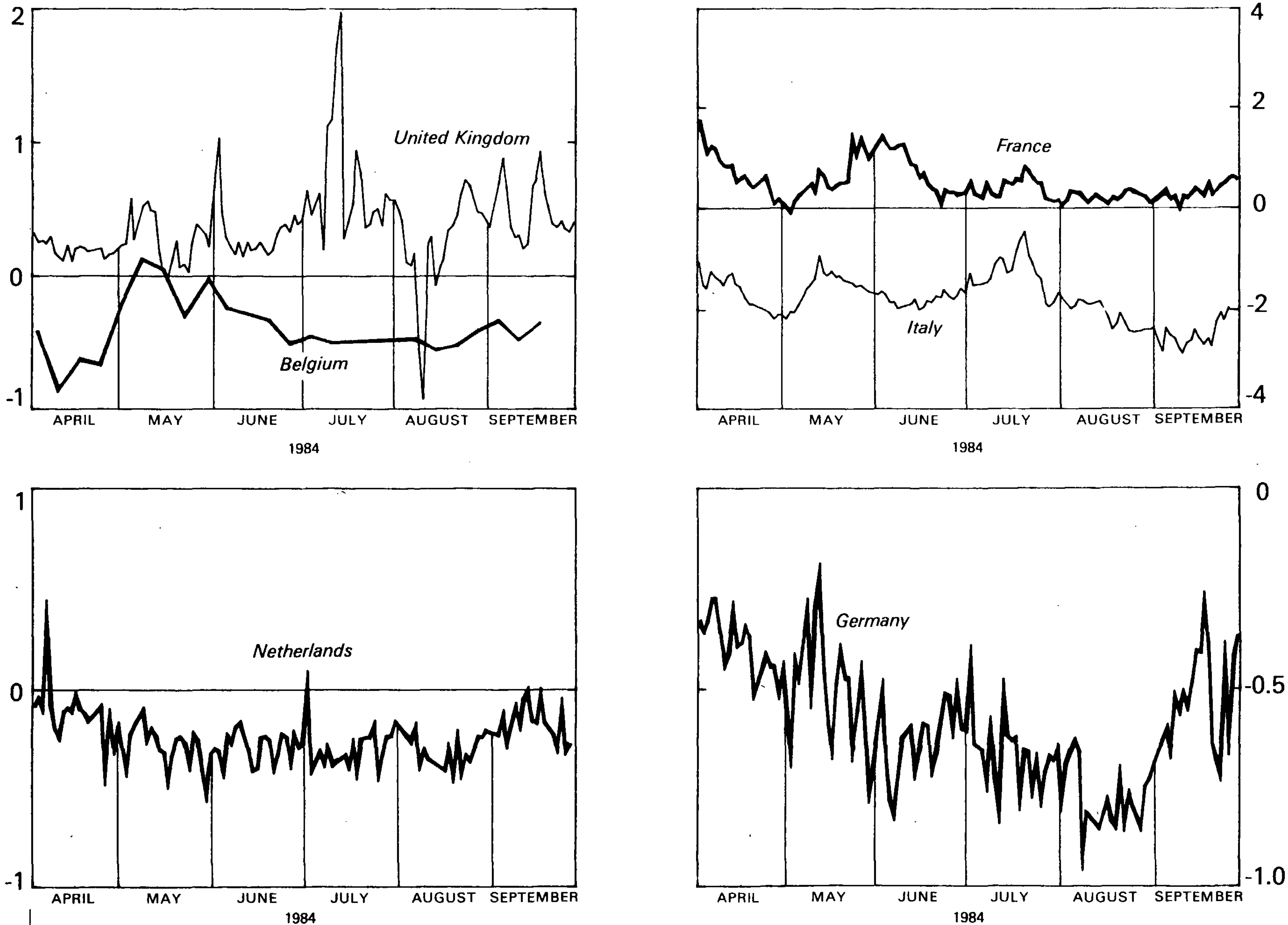
THREE-MONTH FORWARD RATES

Margins from Spot Rates based on noon quotations in New York
(Per cent per annum)



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)



APPENDIX A

Foreign Exchange Rates, August-September 1984

	August					September			
	1	8	15	22	29	5	12	19	26
Austrian schilling	20.4675	20.4050	20.2150	20.2200	20.2300	20.7695	21.0500	21.7475	21.3750
Belgian franc									
Official	58.885	58.765	58.125	58.110	57.980	59.485	60.305	62.340	61.525
Financial	59.475	59.450	58.675	58.700	58.435	59.825	60.925	63.055	62.150
Canadian dollars	0.76406	0.76702	0.76675	0.76908	0.76997	0.76672	0.76106	0.75924	0.75893
Danish kroner	10.6525	10.5750	10.4888	10.4895	10.4650	10.7125	10.8650	11.1900	11.0000
Deutsche mark	2.91750	2.90500	2.87800	2.87950	2.87650	2.95325	2.99750	3.09575	3.03640
French francs	8.9545	8.9135	8.8275	8.8387	8.8250	9.0605	9.1975	9.5080	9.3300
Irish pounds	1.0568	1.0630	1.0719	1.0722	1.0718	1.0465	1.0340	1.0030	1.0205
Italian lire	1790.50	1781.00	1770.50	1779.00	1785.50	1818.00	1843.50	1907.50	1890.00
Japanese yen	245.68	243.03	241.85	241.25	240.55	244.67	244.90	245.70	245.07
Netherlands guilder	3.2943	3.2668	3.2403	3.2468	3.2458	3.3330	3.3795	3.4898	3.4288
Norwegian kroner	8.3825	8.3050	8.2785	8.2850	8.2680	8.4225	8.5125	8.7045	8.7800
Pounds sterling	1.3015	1.3150	1.3207	1.3100	1.3155	1.2815	1.2798	1.2375	1.2418
Swedish kroner	8.4365	8.3850	8.3445	8.3175	8.2975	8.4400	8.5275	8.6963	8.6050
Swiss francs	2.46450	2.44425	2.41075	2.39975	2.39000	2.46325	2.48925	2.53375	2.50550

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)

	Domestic Money Markets 1/ (three-month): United States (1)	Germany (2)	United Kingdom (3)	France (4)	Japan (5)	Combined rate (6)	Eurocurrency Markets 2/ (three-month): U.S. dollar (7)	Deutsche mark (8)	Pound sterling (9)	French franc (10)	Japanese yen (11)	Swiss franc (12)	Lending Rates: LIBOR 3/ (13)	U.S. prime 4/ (14)	U.S. Treasury Securities (five-year) 5/ (15)
1983															
Sept.	9.34	5.95	9.41	12.61	6.86	8.74	9.88	5.70	9.64	14.71	6.81	4.41	10.19	11.00	11.43
Oct.	8.97	6.27	9.06	12.62	6.69	8.54	9.60	5.80	9.37	14.29	6.51	4.13	9.78	11.00	11.28
Nov.	9.11	6.38	9.03	12.50	6.38	8.57	9.84	6.07	9.32	13.06	6.49	4.15	10.06	11.00	11.41
Dec.	9.35	6.37	9.08	12.36	6.38	8.71	10.14	6.29	9.42	13.27	6.63	4.35	10.38	11.00	11.54
1984															
Jan.	9.25	6.21	9.06	12.42	6.22	8.59	9.83	5.98	9.45	13.25	6.35	3.71	10.09	11.00	11.37
Feb.	9.45	6.04	9.06	12.62	6.34	8.69	9.96	5.84	9.38	15.78	6.45	3.54	10.21	11.00	11.54
Mar.	9.88	5.94	8.61	12.72	6.38	8.85	10.45	5.67	8.98	15.57	6.38	3.61	10.81	11.21	12.02
Apr.	10.07	5.92	8.55	12.65	6.25	8.92	10.89	5.66	8.87	13.36	6.23	3.67	11.22	11.93	12.37
May	10.22	6.18	8.97	12.37	6.24	9.07	11.60	5.93	9.37	12.77	6.35	3.92	12.18	12.39	13.17
June	10.26	6.22	8.99	12.39	6.28	9.11	11.94	5.86	9.53	12.91	6.29	4.19	12.44	12.60	13.48
July	10.52	6.21	10.84	11.87	6.27	9.39	12.07	5.83	11.38	12.13	6.31	4.75	12.73	13.00	13.27
Aug.	10.89	6.10	10.65	11.57	6.36	9.56	11.87	5.63	11.11	11.62	6.37	4.83	12.21	13.00	12.68
Sept.	10.79	5.90	10.25	11.21	6.39	9.42	11.73	5.58	10.87	11.35	6.39	5.11	12.01	12.97	12.53
1983 Week ending:															
Sept. 2	9.63	5.90	9.53	12.52	6.84	8.90	10.28	5.63	9.83	15.08	6.71	4.53	10.74	11.00	11.73
9	9.50	6.02	9.53	12.58	6.89	8.85	10.10	5.68	9.72	14.94	6.79	4.35	10.50	11.00	11.53
16	9.45	5.94	9.53	12.62	6.88	8.82	9.96	5.70	9.64	15.06	6.84	4.35	10.25	11.00	11.46
23	9.30	5.93	9.40	12.62	6.83	8.72	9.79	5.71	9.64	14.49	6.90	4.48	10.06	11.00	11.37
30	9.10	5.92	9.14	12.64	6.83	8.58	9.52	5.71	9.46	14.24	6.76	4.39	9.77	11.00	11.22
Oct. 7	8.95	6.27	9.12	12.78	6.83	8.56	9.50	5.81	9.47	14.68	6.71	3.94	9.69	11.00	11.15
14	9.14	6.28	9.02	12.74	6.83	8.65	9.71	5.81	9.38	14.89	6.56	4.02	9.85	11.00	11.36
21	8.86	6.27	9.04	12.57	6.89	8.50	9.56	5.76	9.28	14.35	6.43	4.17	9.75	11.00	11.20
28	8.99	6.26	9.04	12.42	6.38	8.48	9.65	5.81	9.37	13.16	6.42	4.34	9.84	11.00	11.39
Nov. 4	8.92	6.28	9.04	12.50	6.38	8.46	9.75	5.89	9.31	13.23	6.42	4.14	9.94	11.00	11.42
11	9.11	6.35	9.01	12.55	6.38	8.57	9.90	5.98	9.31	13.12	6.45	4.14	10.11	11.00	11.50
18	9.15	6.38	9.02	12.55	6.38	8.60	9.85	6.14	9.34	13.05	6.44	4.13	10.06	11.00	11.42
25	9.13	6.43	9.06	12.55	6.38	8.60	9.80	6.89	9.33	13.02	6.45	4.13	10.06	11.00	11.35
Dec. 2	9.23	6.52	9.05	12.32	6.38	8.64	9.84	6.21	9.32	13.06	6.68	4.15	10.09	11.00	11.38
9	9.32	6.55	9.07	12.29	6.38	8.70	10.01	6.30	9.32	12.93	6.61	4.21	10.31	11.00	11.52
16	9.45	6.58	9.09	12.34	6.38	8.79	10.39	6.43	9.49	13.14	6.70	4.63	10.59	11.00	11.62
23	9.35	6.61	9.11	12.42	6.38	8.73	10.29	6.33	9.51	13.74	6.67	4.56	10.46	11.00	11.55
30	9.31	6.56	9.03	12.42	6.38	8.70	9.92	6.03	9.39	13.44	6.41	3.96	10.21	11.00	11.54
1984 Week ending:															
Jan. 6	9.30	6.11	9.03	12.42	6.25	8.60	9.94	5.91	9.39	13.36	6.38	3.81	10.24	11.00	11.50
13	9.21	6.24	9.08	12.42	6.19	8.57	9.90	6.08	9.51	13.17	6.33	3.81	10.14	11.00	11.42
20	9.23	6.24	9.07	12.42	6.19	8.58	9.76	6.01	9.45	13.36	6.31	3.70	10.02	11.00	11.29
27	9.28	6.24	9.07	12.42	6.23	8.61	9.79	5.94	9.44	13.18	6.38	3.63	10.02	11.00	11.31
Feb. 3	9.26	6.17	9.06	12.47	6.11	8.60	9.70	5.90	9.44	13.39	6.39	3.50	9.96	11.00	11.31
10	9.24	6.09	9.05	12.55	6.31	8.68	9.85	5.84	9.39	14.68	6.38	3.45	10.05	11.00	11.43
17	9.46	6.01	9.06	12.60	6.31	8.69	7.96	5.80	9.42	15.37	6.39	3.48	10.18	11.00	11.55
24	9.54	5.96	9.06	12.74	6.38	8.74	10.12	5.86	9.38	17.52	6.50	3.64	10.39	11.00	11.67
Mar. 2	9.53	5.98	8.99	12.70	6.40	8.73	10.12	5.83	9.24	17.24	6.59	3.68	10.48	11.00	11.75
9	9.64	5.92	8.68	12.67	6.38	8.72	10.23	5.62	9.06	16.14	6.39	3.46	10.56	11.00	11.85
16	9.79	5.91	8.57	12.67	6.38	8.79	10.38	5.64	8.90	15.93	6.44	3.43	10.75	11.00	11.98
23	10.14	5.95	8.53	12.75	6.40	8.99	10.67	5.73	8.89	15.00	6.37	3.79	11.04	11.21	12.17
30	10.10	5.96	8.55	12.80	6.37	8.97	10.66	5.63	8.95	14.72	6.29	3.72	11.00	11.50	12.20
Apr. 6	10.13	5.91	8.55	12.71	6.31	8.96	10.85	5.71	8.93	14.03	6.26	3.69	11.17	11.50	12.36
13	10.02	5.93	8.55	12.67	6.27	8.90	10.79	5.65	8.85	13.45	6.21	3.55	11.12	12.00	12.24
20	10.14	5.91	8.55	12.67	6.24	8.95	10.96	5.66	8.83	13.22	6.19	3.69	11.28	12.00	12.38
27	10.01	5.91	8.54	12.55	6.19	8.87	10.96	5.63	8.88	12.77	6.25	3.76	11.29	12.00	12.47
May 4	10.11	5.93	8.59	12.59	6.19	8.94	11.03	5.67	8.95	12.51	6.23	3.70	11.34	12.00	12.65
11	10.36	6.08	8.88	12.29	6.20	9.11	11.76	5.98	9.50	12.61	6.28	4.09	12.25	12.14	12.99
18	10.27	6.27	9.08	12.29	6.25	9.12	11.80	5.99	9.34	12.58	6.37	3.79	12.36	12.50	13.24
25	10.17	6.28	9.10	12.32	6.29	9.08	11.65	5.98	9.41	12.98	6.44	4.03	12.35	12.50	13.35
June 1	10.14	6.32	9.16	12.48	6.31	9.09	11.74	6.00	10.13	13.34	6.45	4.03	12.55	12.50	13.69
8	10.20	6.25	9.01	12.42	6.29	9.08	11.45	5.79	9.54	13.54	6.31	3.87	12.20	12.50	13.34
15	10.34	6.20	9.00	12.52	6.25	9.15	11.56	5.87	9.38	13.17	6.30	4.02	12.36	12.50	13.36
22	10.30	6.19	8.96	12.37	6.25	9.12	11.80	5.85	9.39	12.51	6.29	4.35	12.46	12.50	13.49
29	10.20	6.22	9.01	12.29	6.31	9.09	12.15	5.92	9.50	12.31	6.25	4.54	12.69	12.71	13.72
July 6	10.31	6.24	9.29	12.10	6.24	9.15	12.30	5.93	9.65	12.36	6.25	4.54	13.00	13.00	13.67
13	10.44	6.20	10.39	11.75	6.21	9.29	12.14	5.89	11.34	12.08	6.27	4.71	12.84	13.00	13.39
20	10.52	6.22	11.47	11.79	6.25	9.44	12.05	5.81	12.16	12.10	6.31	4.74	12.70	13.00	13.23
27	10.67	6.20	11.58	11.84	6.31	9.55	11.89	5.73	12.14	12.05	6.40	4.90	12.53	13.00	13.03
Aug. 3	10.84	6.19	11.63	11.89	6.31	9.65	11.79	5.76	12.28	11.88	6.34	4.84	12.24	13.00	12.77
10	10.90	6.21	11.42	11.76	6.34	9.65	11.85	5.71	11.42	11.79	6.35	4.71	12.18	13.00	12.63
17	10.72	6.09	10.22	11.58	6.38	9.43	11.87	5.64	10.58	11.64	6.38	4.74	12.17	13.00	12.67
24	10.84	6.03	10.09	11.41	6.38	9.44	11.89	5.55	10.79	11.51	6.38	4.95	12.25	13.00	12.66
31	11.09	6.02	10.18	11.36	6.38	9.59	11.94	5.52	10.87	11.33	6.40	5.00	12.28	13.00	12.79
Sept. 7	11.05	5.92	10.20	11.28	6.37	9.55	12.01	5.50	10.95	11.36	6.38	4.79	12.35	13.00	12.84
14	10.80	5.92	10.34	11.33	6.35	9.44	11.82	5.56	10.78	11.34	6.38	5.02	12.13	13.00	12.55
21	10.71	5.88	10.19	11.13	6.40	9.37	11.60	5.62	10.91	11.34	6.40	5.33	11.83	13.00	12.34
28	10.65	5.90	10.28	11.10	6.44	9.35	11.46	5.65	10.85	11.36	6.41	5.33	11.75	13.00	12.46

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 O-1 and the value in terms of the SDR of a unit of that currency as determined by the Fund under Rule O-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 money market 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/ Eurocurrency 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. Weekly figures are averages of seven calendar days ending on Wednesday.

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.