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INTERNATIONAL MONETARY FUND

Treasurer's Department

Foreign Exchange and Financial Markets in February 1986

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The U.S. dollar continued to depreciate, falling sharply against most other currencies in February. It depreciated less markedly against the pound sterling, which continued to be affected by world oil market developments, and it remained virtually unchanged against the Canadian dollar, which was also affected by concern about Canada's fiscal deficit. Long-term interest rates continued to decline in the United States and several other industrial countries as declining oil prices further contributed to reduced inflationary expectations. Most short-term interest rates also showed a tendency to ease during the month, but the trend was less marked in the United States while in Canada and Italy short-term rates firmed sharply.

I. Foreign Exchange Markets

The U.S. dollar posted its sixth consecutive monthly decline in February, with its value falling by 4.84 percent in effective (MERM) terms. This decline brought its cumulative effective depreciation since the G-5 meeting in late September to about 17 percent, and to 25 percent since its peak in late February a year ago. As of end-February 1986, the Deutsche mark and the French franc had each appreciated by around 54 percent from their lows against the U.S. currency in February 1985, and over similar periods the Japanese yen and the pound sterling had appreciated by 46 percent and 37 percent, respectively. Almost three-quarters of the above-mentioned rise in the yen took place after the G-5 meeting in September, and about one-half of the rise in the Deutsche mark and the French franc, but the pound sterling firmed by just 6 percent since then (see Table 1 and Chart 1).

Table 1. Changes in Selected Exchange Rates 1/

(In percent)

	Between end-June 1980 and lows against the U.S. dollar (February 1985) 2/	Through end-February 1986	
		From February 1985 2/	From September 20, 1985 3/
Deutsche mark	-48.90	+54.76	+27.63
Pound sterling	-55.33	+37.46	+5.78
French franc	-61.22	+53.80	+26.45
Japanese yen	-16.44	+45.75	+32.99
U.S. dollar effective exchange rate (MERM)	+73.82	-25.05	-16.53

1/ Based on New York noon quotations for the value of currencies in U.S. dollar terms, and on the Fund's multilateral exchange rate model (MERM) for the U.S. dollar effective exchange rate. Positive sign indicates appreciation of the currency.

2/ Dates are February 12 for the Japanese yen; February 25 for the Deutsche mark, the French franc and the U.S. dollar effective exchange rate (MERM); and February 26 for the pound sterling.

3/ Last business day prior to the G-5 statement on September 22, 1985 on concerted action to reduce the value of the U.S. dollar.

The depreciation of the U.S. dollar in February appeared to be influenced by the release of data indicating sluggish economic performance and persistent external disequilibrium, notably the data showing a marked downward revision in U.S. real GDP growth in the fourth quarter, a record U.S. trade deficit in January, and weak figures for January retail sales and durable goods orders (see Section III). Some market participants also attributed the dollar's decline to a movement of the long-term interest rate differential against U.S. dollar-denominated assets. A particularly visible factor affecting exchange rates and trading conditions appeared to be, however, numerous comments from various key government officials, from which market participants attempted to gauge both the various authorities' attitudes toward exchange rates and the likely thrust of macro-policy. Among the statements, several of those from U.S. officials indicated that a further orderly decline in the U.S. dollar would be desirable, in light of the U.S. trade situation and sluggish economic growth, which perhaps generated expectations that the U.S. Federal Reserve would loosen its degree of monetary restraint. Statements by some German officials that the dollar could fall further and that interest rates in Germany should not be cut were another force in the dollar's fall, as were Japanese statements saying that the Bank of Japan would not cut its discount rate. At times, however, conflicting statements emerged about the desirability of a falling dollar and rising Japanese yen, as well as about leaving official interest rates unchanged; there were also suggestions at times about the possibility of foreign exchange intervention to support the dollar. Such statements seemed to contribute to occasional upward deviations from the dollar's declining trend, and perhaps dampened to some degree the extent of the overall decline. Nevertheless, the U.S. dollar fell sharply by 4.84 percent in effective (MERM) terms and by 3.87 percent against the SDR in very volatile trading in February.

While all the major currencies firmed against the U.S. dollar in February, the Canadian dollar did so by only 0.11 percent and the pound sterling in firming by 2.42 percent did so by considerably less than the remaining currencies. Moreover, these latter two currencies were the only ones to join the U.S. dollar in depreciating in effective (MERM) terms, as both continued to be adversely affected by world oil market developments. The pound sterling eased by 1.07 percent in effective (MERM) terms in February for its fourth consecutive monthly decline, bringing its cumulative effective depreciation since the end of October to 8.74 percent. The Canadian dollar eased by 1.89 percent in effective (MERM) terms in February, and early in the month slipped below 70 U.S. cents to one Canadian dollar to hit a record low against the U.S. currency. In addition to oil market developments, the Canadian dollar appeared to have been adversely affected by concerns over Canada's federal fiscal deficit. The deficit is estimated to reach 7 1/2 percent of GNP in the current fiscal year ending in March, and measures announced to reduce future fiscal deficits, particularly those measures relating to tax increases, did not appear to turn market sentiment back in favor of the Canadian currency. In response to the weakening of the Canadian dollar, the Bank of Canada sold Treasury bills to push domestic interest rates higher, and intervened in the foreign exchange market to support the Canadian currency. Canada also engaged in sizable borrowing abroad, reportedly over $2 billion, to bolster its reserves, and announced that the Government was prepared to use these reserves to counter pressure on the Canadian dollar.

Other leading currencies firmed by 4.61-7.31 percent against the U.S. dollar in February, with the currencies participating in the exchange arrangements of the European Monetary System (EMS) doing so by 6.62-7.11 percent (see Table 2 and Charts 2, 4, and 5). The divergence indicators for the currencies in the EMS all remained within their thresholds throughout January (see Chart 3), although the indicator for Belgium approached its threshold. The spread in the EMS parity grid exceeded on frequent occasions in New York the permitted maximum 2.25 percent margin maintained by the European central banks in the European markets, amid some continued speculation of an EMS realignment after the French elections in March. The French franc was the strongest currency in the early part of February, but the Deutsche mark replaced it near the start of the second week and remained the strongest currency through month-end. The Belgian franc remained the weakest currency in the EMS for most of the month, being replaced a few times by the Irish pound. The Irish central bank at the end of the month reportedly intervened in its financial markets to support the pound. Denmark's Central Bank also reportedly intervened at month end to support the krone which has been among the weaker EMS currencies. Meanwhile, the Netherlands' Bank reportedly sold about f. 1.0 billion of foreign currencies in the last week of February to support the guilder against the Deutsche mark in the EMS.

Table 2. Changes in Exchange Rates in February 1986 1/

(In percent)

	Monthly exchange rate changes			
	Against U.S. dollar 2/	Against SDR 3/	Effective exchange rate 4/	Changes in effective exchange rate since February 1985
Belgium	+6.73	+3.34	+1.58	+8.54
Denmark	+6.97	+3.38	+2.90	+14.54
France	+6.62	+2.99	+1.87	+14.91
Germany	+7.05	+3.53	+2.34	+14.08
Ireland	+6.90	+3.31	+3.04	+15.45
Italy	+6.97	+3.66	+2.41	+2.75
Netherlands	+7.11	+3.42	+2.19	+14.38
Austria	+7.11	+3.54	+2.86	+16.80
Canada	+0.11	-3.70	-1.89	-13.24
Japan	+6.51	+2.61	+3.61	+22.88
Norway	+6.05	+2.51	+2.12	+7.57
Sweden	+4.61	+1.55	+0.21	+2.40
Switzerland	+7.31	+4.17	+3.37	+17.89
United Kingdom	+2.42	-0.06	-1.07	+3.29
United States	--	-3.87	-4.84	-23.37

1/ Positive signs 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 exchange rates of the major currencies against the U.S. dollar were quite volatile in February, as indicated by the measures given in Table 3. For the EMS currencies, the high-low spreads were 8.3-8.7 percent in February, up sharply from 2.9-3.9 percent in January and 3.0-4.1 percent in December 1985; the average of absolute daily percentage changes (MAC in Table 3) in February was 0.62 percent, markedly higher than the 0.41 percent and 0.38 percent recorded in the two previous months, respectively. For the other major currencies reported in Table 3, the high-low spreads rose to 3.6-8.9 percent in February from 1.9-5.4 percent in the preceding month and 0.8-5.1 percent in December. MAC also rose for these latter currencies, to 0.62 percent in February from 0.37 percent and 0.36 percent in January and December, respectively. The Canadian dollar was the least volatile currency against the U.S. dollar in February while the Swiss franc and the pound sterling were among the most volatile.

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

	February 2/		High-low spread in percent 3/		MAC 4/	
	High	Low	Jan.	Feb.	Jan.	Feb.
Belgium	45.505	49.425	3.5	8.6	0.38	0.63
Denmark	8.1850	8.9000	3.1	8.7	0.37	0.63
France	6.8275	7.3950	3.9	8.3	0.42	0.62
Germany	2.2205	2.4143	3.7	8.7	0.41	0.64
Ireland	1.36350	1.25500	2.9	8.6	0.48	0.62
Italy	1515.50	1643.00	3.8	8.4	0.41	0.61
Netherlands	2.5100	2.7250	3.5	8.6	0.40	0.62
Austria	15.605	16.988	4.1	8.9	0.39	0.68
Canada	0.72069	0.69565	2.1	3.6	0.27	0.42
Japan	179.300	192.000	5.4	7.1	0.42	0.66
Norway	6.9650	7.5075	2.4	7.8	0.32	0.55
Sweden	7.1500	7.5870	1.9	6.1	0.31	0.46
Switzerland	1.8750	2.0428	3.6	8.9	0.38	0.77
United Kingdom	1.49225	1.37750	5.1	8.3	0.53	0.77

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.

Gross foreign exchange reserves of most major industrial countries rose in February (see Table 4). Germany, Italy, and Canada posted the largest increases, with reserves in each of these countries rising by over $1 billion. Ireland and Sweden were the only countries to record foreign exchange losses in February. Over the latest 12-month period, most major industrial countries registered large increases in their gross foreign exchange reserves. The United States and Germany recorded the largest increases of over $7 billion, while France, the Netherlands, Norway, Switzerland, and the United Kingdom also experienced comparatively large foreign exchange gains. Italy continued to register the largest foreign exchange loss in the latest 12-month period. It was reported that the Bank of Italy spent more than $6 billion to support the lira in the fourth quarter of 1985, particularly in holding the lira's rate stable against the Deutsche mark.

Table 4. Gross Foreign Exchange Reserves in February 1986 1/

(In millions of U.S. dollars)

	End-month reserve level	Change in February	Change over 12 months
Belgium	4,122	+285	+391
Denmark	4,655	+310	+1,467
France (January)	23,836	-483	+4,334
Germany	40,978	+1,325	+7,839
Ireland	2,506	-192	-14
Italy	13,259	+1,055	-4,444
Netherlands	9,515	+148	+2,293
Austria	4,279	+331	+1,112
Canada	2,752	+1,261	+1,365
Japan	23,193	+424	+891
Norway (December)	13,124	-32	+4,477
Sweden	3,433	-100	+325
Switzerland	15,008	+173	+2,988
United Kingdom	10,513	+680	+4,098
United States	14,283	+965	+7,982

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.

II. Other Highlights in Foreign Exchange Markets

The Philadelphia Stock Exchange on February 12 started trading ECU option contracts. The size of the contracts is ECU 62,500; contracts are offered with striking prices at one-cent intervals, and the expiration months are March, June, September, and December, plus the two additional near-term months. Another ECU option has been trading on the European Options Exchange since December 1985. The main difference between the ECU option contracts traded on these two exchanges is that the size of the contract traded on the European Exchange at ECU 10,000 is considerably smaller. Also, Appendix B reports some of the premiums associated with different striking prices at the end of February and at the end of the previous two months on Deutsche mark and Japanese yen option contracts traded in Philadelphia.

III. Developments in Major Factors Affecting the Exchange Markets in February

The U.S. dollar eased in February by 4.84 percent in effective (MERM) terms and by 3.87 percent against the SDR. The dollar hit its lowest level against the Japanese yen since October 1978 and against the Deutsche mark since December 1981. In the first week of February the dollar generally held steady to a bit firmer, supported in part by favorable economic data, particularly strong employment figures showing that the unemployment rate fell to 6.7 percent in January, its lowest rate since March 1980, from 6.9 percent in the previous month and 8.0 percent a year earlier. After the first week of the month, however, most of the economic news pointed to a sluggish economy. Retail sales rose only 0.1 percent in January after a downward revised 1.7 percent increase in December. Seasonally adjusted real GNP growth in the fourth quarter was revised down to 1.2 percent at an annual rate from the previous estimate of 2.4 percent. New orders for durable goods rose 0.4 percent in January after rising by a revised 3.9 percent in December; excluding defense, however, durable goods were down 2.8 percent in January. The merchandise trade deficit, seasonally adjusted, hit a record $16.46 billion in January after reaching $15.15 billion in December (revised from $17.37 billion). The index of leading indicators fell a seasonally adjusted 0.6 percent in January, its largest decline since April 1985, after a revised 1.5 percent increase in December. The employment data released in March further indicated sluggishness in the U.S. economy, with the unemployment rate in February rising by 0.6 percentage point to 7.3 percent and in doing so recording its largest monthly increase since May 1980; a large part of the increase did occur, however, in three states which were adversely affected by weather conditions. In other developments, the Federal budget deficit was $6.49 billion in January, down from $7.99 billion a year earlier; for the fiscal year so far, the deficit was $81.62 billion for the four months through January compared with $79.47 billion for the same period a year earlier. Consumer prices rose a seasonally adjusted 0.3 percent in January (3.9 percent year-on-year).

The Deutsche mark firmed by 7.05 percent against the U.S. dollar and by 2.34 percent in effective (MERM) terms. The unadjusted current account surplus narrowed to a provisional DM 3.5 billion in January from DM 6.9 billion in the previous month, but compared with a deficit of DM 200 million a year earlier. The trade surplus also narrowed in January, to DM 7.0 billion from DM 7.9 billion in December, but stood well above the DM 2.6 billion recorded in January 1985. Seasonally adjusted industrial production rose 2.4 percent in January after falling by a revised 3.4 percent in December and stood 4.2 percent higher than a year earlier. The unemployment rate (unadjusted) was 10.4 percent in February, unchanged from January but down from 10.5 percent in February 1985. Most recent data pointed to price declines. Wholesale prices in February fell 2.2 percent and 5.2 percent year-on-year while import prices fell 2.2 percent in January and 9.6 percent year-on-year. The cost of living index fell 0.2 percent in February but rose 0.7 percent year-on-year.

The French franc firmed by 6.62 percent against the U.S. dollar and by 1.87 percent in effective (MERM) terms. France's seasonally adjusted trade balance switched to a provisional F 3.5 billion surplus in January from deficits of F 3.4 billion in the previous month and F 3.9 billion a year earlier. The current account balance was in surplus by F 3.1 billion for all of 1985, higher than the original estimate of F 2.8 billion, after a deficit of F 6.6 billion in 1984. Industrial production fell a seasonally adjusted 3.6 percent in December (provisional) following a 2.2 percent increase in November for a 2.3 percent year-on-year rise, and the number of persons unemployed rose a seasonally adjusted 2.3 percent in January, reversing December's decline of 1.4 percent. Inflation remained subdued, with retail prices falling by a provisional 0.2 percent in February but rising 3.4 percent year-on-year.

The Belgian franc firmed by 6.73 percent against the U.S. dollar and by 1.58 percent in effective (MERM) terms. Industrial production (unadjusted) fell 1.7 percent in November but rose by a similar amount on a year-on-year basis; the unemployment rate fell to 12.4 percent at the end of February from 12.8 percent at the end of the previous month and 14.1 percent a year earlier. Wholesale prices fell 0.6 percent in January and 3.9 percent year-on-year.

The Netherlands guilder firmed by 7.11 percent against the U.S. dollar and by 2.19 percent in effective (MERM) terms. Seasonally adjusted industrial production fell a provisional 2.8 percent in December and 1.9 percent year-on-year. The number of persons unemployed, however, fell by a seasonally adjusted 0.9 percent in February and 6.4 percent year-on-year. Producer prices fell a provisional 0.2 percent in November after declining by 0.3 percent in October.

The Danish krone firmed by 6.97 percent against the U.S. dollar and by 2.90 percent in effective (MERM) terms. The merchandise trade deficit narrowed to a preliminary DKr 1.84 billion in January from a revised DKr 2.99 billion in the previous month but widened from

DKr 1.31 billion a year earlier. Consumer prices fell 0.3 percent in January but rose 2.8 percent year-on-year, while wholesale prices fell 0.4 percent in January and 1.5 percent year-on-year.

The Italian lira firmed by 6.97 percent against the U.S. dollar and by 2.41 percent in effective (MERM) terms. Italy had a provisional balance of payments deficit of Lit 3.3 trillion in January compared with a deficit of Lit 1.6 trillion in December and a surplus of Lit 160 billion in January 1985. The trade deficit widened to Lit 3.1 trillion in January from Lit 1.9 trillion in December and Lit 2.7 trillion a year earlier. Consumer prices rose 0.7 percent in February and 7.6 percent year-on-year while over the same periods wholesale prices rose 0.4 percent and 5.9 percent, respectively.

The pound sterling firmed by 2.42 percent against the U.S. dollar but eased by 1.07 percent in effective (MERM) terms. The seasonally adjusted trade balance posted a £140 million surplus in January after a deficit of £18 million in the previous month (revised from a £125 million surplus) and a £100 million deficit a year earlier. The current account surplus widened in January to £1.14 billion from £548 million in December and £188 million in January 1985; the relatively large current account surplus in January of this year was due in part to a tax rebate of £438 million from the European Community in respect of the 1984 budget. GDP (output basis) rose by around 0.75 percent in the fourth quarter and by around 3.25 percent year-on-year according to provisional data. The unemployment rate, seasonally adjusted, was a provisional 13.3 percent in February, unchanged from January but up from 13.0 percent in February 1985. The public sector borrowing requirement showed a provisional net repayment of £4.5 billion in January compared with a £1.5 billion requirement in December and a repayment of £2.5 billion in January 1985. The cumulative public sector borrowing requirement for the first ten months of this fiscal year fell to £3.2 billion from £7.8 billion for the same period a year earlier. Retail prices rose 0.2 percent in January and 5.5 percent year-on-year while producer prices rose a provisional 0.4 percent in February and 5.0 percent year-on-year. Average earnings rose 8.9 percent in the year to December after an 8.6 percent increase in the year to November.

The Swiss franc posted the largest appreciation against the U.S. dollar in February, firming by 7.31 percent; the franc rose by 3.37 percent in effective (MERM) terms. The unemployment rate in January was 1.0 percent, unchanged from the previous month and down from the 1.3 percent recorded a year ago. Switzerland's budget deficit was Sw F 696 million in 1985, slightly above the targeted Sw F 683 million and up from Sw F 448 million in 1984. Wholesale prices fell 0.7 percent in January and 1.4 percent year-on-year, while consumer prices were unchanged in February but up 1.3 percent year-on-year.

The Japanese yen firmed by 6.51 percent against the U.S. dollar and by 3.61 percent in effective (MERM) terms. Japan's customs-cleared trade surplus expanded to $3.90 billion in February from $1.89 billion in January and $2.34 billion a year earlier. Seasonally adjusted industrial production fell 0.9 percent in January but rose 0.5 percent year-on-year, while the unemployment rate, seasonally adjusted, was 2.7 percent in January, down 0.2 percentage point from December but up 0.1 percentage point from a year earlier. Consumer prices rose 0.2 percent in January and 1.4 percent year-on-year.

The Canadian dollar firmed by 0.11 percent against the U.S. dollar but eased by 1.89 percent in effective (MERM) terms. The seasonally adjusted current account deficit narrowed to Can$1.31 billion in the fourth quarter from a revised Can$1.56 billion in the third quarter; for all of 1985 the current account was in deficit by Can$2.6 billion after a surplus of Can$2.55 billion in 1984. The trade surplus narrowed to Can$1.16 billion in January from Can$1.25 billion in the previous month and Can$1.42 billion a year earlier. Real GNP rose 1.3 percent in the fourth quarter after a 1.7 percent increase in the third quarter, while seasonally adjusted industrial production rose 0.7 percent in December and 4.6 percent year-on-year. The unemployment rate, seasonally adjusted, was 9.8 percent in February, unchanged from the previous month but down markedly from 11.0 percent a year earlier. Canada's Government budget deficit was Can$2.79 billion in November, about the same as in November 1984. For the first eight months in the current fiscal year the deficit was Can$22.13 billion compared with Can$22.36 billion for the same period in the previous year. Consumer prices rose 0.5 percent in January and 4.4 percent year-on-year.

The Austrian schilling firmed by 7.11 percent against the U.S. dollar and by 2.86 percent in effective (MERM) terms. Consumer prices rose 0.9 percent in January and 2.9 percent year-on-year.

The Norwegian krone firmed by 6.05 percent against the U.S. dollar and by 2.12 percent in effective (MERM) terms. The unemployment rate stood at 2.5 percent in February, down from 2.7 percent in the previous month and 4.0 percent a year earlier. Consumer prices rose 0.4 percent in February and 6.1 percent year-on-year.

The Swedish krona firmed by 4.61 percent against the U.S. dollar and by 0.21 percent in effective (MERM) terms. The trade surplus narrowed in 1985 to SKr 15 billion from SKr 23.2 billion in 1984. The unemployment rate dropped in February to 2.8 percent from 2.9 percent in the previous month and 3.0 percent a year earlier. Consumer prices rose 1.1 percent in January (6.1 percent year-on-year) and 0.4 percent in December while in the same months producer prices rose 0.7 percent and 1.1 percent, respectively.

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

The lowering of inflationary expectations that followed the reduction in oil prices contributed greatly to the decline in long-term interest rates registered in several industrial countries, and particularly the United States, during the latter part of February. Money market interest rates also declined in a number of countries, but more modestly, and with some notable exceptions, such as Canada and Italy, where the authorities tightened monetary conditions in support of their national currency. Inflation rates continued to decline generally with year-on-year price increases around three percent or less in several countries (Table 6 and Chart 7).

Interest rates in the United States declined steadily throughout most of the month of February. This decline was attributed, particularly for the longer-term rates, to the lowering of inflationary expectations occasioned by the significant decline of oil prices and, to a certain extent, to the prospects of a lower budget deficit following the Gramm-Rudman Legislation. The short-term rates were affected by periodically re-occurring speculation about a possible reduction in the Federal Reserve discount rate. Perhaps the most significant development of the month was a further marked flattening of the yield curve which had began in mid-1985. The differential between the yield on three-month Treasury bills and that on 30-year Treasury securities which had been 2.15 percentage points at end-January had narrowed further to 1.03 percentage points by end-February. The yield on three-month Treasury bills rose to 7.44 percent on February 7, and then followed an easing trend for the rest of the month, finishing February at 7.24 percent, 0.05 percent higher than at end-January. The 90-day CD rate eased by 0.18 percentage point to 7.57 percent during the course of the month. The effective Federal funds rate moved within the range 7.69-8.09 percent, virtually the same as the month before, and ended February at 7.95 percent. In terms of monthly averages, the rate eased from 8.14 percent to 7.86 percent. For the longer-term assets the magnitude of the decline in yields tended to increase with the length of the maturity. Yields on securities with one- and two-year maturities eased by 0.14 percentage point and 0.28 percentage point respectively, while those on 10-, 20-, and 30-year maturities fell by 0.95, 1.14 and 1.07 percentage points respectively. The yield on 30-year securities was 8.27 percent at end-February, the lowest since 1978, while the five-year constant maturity rate eased by 0.62 percentage point to 7.91 percent. The M1 measure of the U.S. money supply, seasonally adjusted, averaged $634 billion in the week ended February 24, compared with $628.6 billion in the week ended January 27. The latest rise left M1 $400 million above the upper limit of the Federal Reserve's revised target range of 3-8 percent annual growth in 1986.

Table 6. 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): January	February
Austria	Dec./Jan.	0.5	(0.7)	2.9	(2.8)	4.00	4.00
Belgium	Jan./Feb.	-3.9	(-2.4)	2.5	(3.5)	9.75	9.65
Canada	Dec./Jan.	4.3	(2.8)	4.4	(4.4)	10.65	11.60
Denmark	January	-1.5	(0.3)	2.8	(3.5)	7.00	7.00
France	Dec./Feb.	-1.8	(-1.4)	3.4	(4.2)	9.00	8.75
Germany	February	-5.2	(-1.9)	0.7	(1.3)	4.72	4.51
Italy	February	5.9	(5.8)	7.6	(8.0)	15.69	16.56
Japan	January	-4.6	(-4.2)	1.4	(1.8)	6.06	6.00
Netherlands	... /Feb.	...	(...)	1.2	(1.3)	5.78	5.81
Norway	Nov./Feb.	3.4	(5.3)	6.1	(5.6)	13.15	13.30
Sweden	Nov./Dec.	4.2	(4.1)	5.7	(7.0)	9.50	9.50
Switzerland	Jan./Feb.	-1.4	(0.7)	1.3	(2.2)	4.13	3.88
United Kingdom	Feb./Jan.	5.0	(5.2)	5.5	(5.7)	12.44	12.17
United States	January	1.4	(1.8)	3.9	(3.8)	7.19	7.24

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, the Netherlands, and Norway; 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, and Sweden.

Money market conditions remained mixed in February in the countries participating in the European Monetary System (EMS) amid continuing although diminishing speculation about an imminent currency realignment. In France, the three-month interbank money rate closed the month at 8.75 percent, down from 9.00 percent at end-January. During February the French authorities took further steps toward the modernization of the country's capital markets through an open-market approach to monetary policy. On February 4, the Bank of France held its first public auction of Treasury bills--raising F 6.455 billion--and on February 20 the Paris stock market launched a new trading floor for financial futures with the volume of business contracted on the first day far exceeding expectations. On the same day the Bank of France cut its money market intervention rate by 0.25 percentage point to 8.50 percent to reflect the recent fall in inflation and the improved performance of the French franc in relation to other currencies. Also on the same day, in a move that might partially offset the effects of the cut in the intervention rate, the Bank of France, in an effort to ease the growth of the money supply, raised the compulsory reserve requirements on loans and deposits of the banking system (from 0.20 percent to 0.30 percent on loans, from 3.00 percent to 3.50 percent on sight deposits excluding savings book accounts, and from 0.50 percent to 0.75 percent for savings book accounts and other deposits with a maturity of less than three years). In the Netherlands the three-month interbank rate was narrowly mixed during February ending the month up 0.03 percentage point at 5.81 percent, amid official concern at the amount of cash leaving the Netherlands seeking higher yields in other EMS currencies and in the ECU. During the course of the month the Netherlands Bank reached agreement with the country's banking system that domestic credit growth, where not financed by long-term borrowings, would not exceed 5.5-6.0 percent in 1986. This agreement reflected the Bank's intention of slowing the growth of money supply to a rate more consistent with the growth of nominal national income and of guarding against any rekindling of inflation. For the second consecutive month, the Irish authorities had to intervene in the markets to ease pressures on the pound created by the softening of the sterling exchange rate and expectations of an imminent EMS realignment. Following a sharp rise in money market interest rates, the Bank of Ireland raised its short-term facility rate by 2 percentage points to 13.75 percent effective February 3. It also requested the four clearing banks to raise prime lending and deposit rates by 3 percentage points in an effort to curb borrowing for exchange deals. In Germany the three-month interbank rate fell by 0.21 percentage point finishing the month at 4.512 percent, while in Italy, where the lire continued under pressure, the equivalent rate rose steadily to 16.563 percent, 0.87 percentage point higher than end-January.

The upward pressure on interest rates in the United Kingdom, caused by the vulnerability of the pound throughout most of February, was more than offset by the release of several better-than-expected sets of statistics during the course of the month. Figures for trade, currency reserves, money supply, bank lending and the public sector borrowing requirement which were more favorable than some projections even led to market speculation about a possible cut in bank base rates. Although this was not realized most domestic interest rates declined during the month. The three-month interbank rate fell by 0.47 percentage point to 12.406 percent and the three-month Treasury bill rate by 0.27 percentage point to 12.171 percent. The latest Bank of England data showed that sterling M3, rose a provisional seasonally adjusted 1.00 percent in the five weeks to February 19, after the unexpectedly low 0.10 percent rise in banking January. The year-on-year growth rate of 14.75 percent was 0.75 percentage point higher than in January and thus further above the annual target range of 5-9 percent for sterling M3 growth in the year ending in March 1986. Sterling M0 was estimated to have fallen by 0.50-0.75 percent during the same period after rising by 1.4 percent in January. Year-on-year M0 is estimated to have risen by 3.5 percent--at the bottom end of the authorities' 3-7 percent target range for annual growth.

The decision taken by the Bank of Japan on January 30 to cut the official discount rate led to declining domestic interest rates throughout the month of February. The rate on two-month private bills, after its precipitate decline in January, fell a further 0.06 percentage point to 6.00 percent on the first business day of February and then remained stable for the rest of the month; rates on other maturities declined more substantially. Despite this, the Bank of Japan came under increasing pressure from business circles to reduce the official discount rate even further. Similar proposals were made publicly by the Minister of Finance and the Minister of Trade and Industry, but the Bank responded that it would be premature to make further cuts before the effects of the previous cut had worked through the market. On February 13 the Japanese authorities continued their efforts to accelerate the expansion and liberalization of their country's short-term money markets by issuing a new short-term instrument--the tankoku. This instrument is issued by the Finance Ministry and has a maturity of six months, unlike Treasury bills, which generally have maturities of only about 60 days and are sold on the market by the Bank of Japan. Japan's broadly defined money supply average of M2 plus certificates of deposit rose a preliminary 9.00 percent in February from a year earlier, compared with an identical 9.00 percent year-on-year rise in January. In Switzerland interest rates were pushed downward during February as increasing capital flows moved into the Swiss currency as a result of the declining value of the U.S. dollar. The three-month interbank money rate fell as low as 3.81 percent at midmonth. In contrast the three-month Treasury bill rate in Canada firmed as the Canadian dollar came under pressure; it closed the month at 11.60 percent, almost one percentage point higher than at end-January but 0.25 percentage point lower than its midmonth peak. Other Canadian interest rates also rose. By late February the differential between the prime rates in Canada and the United States--traditionally about one percentage point--had risen to 3.5 percentage points.

Three-month interest rates in the eurocurrency markets were generally easier during the month of February. The rate on the euro-French franc declined the most significantly--down 2.00 percentage points to

14.25 percent--after its sharp rise in the two previous months. This decline occurred steadily over the month as the publication of favorable economic indicators and other factors weakened expectations of an imminent downward adjustment of the franc within the EMS. Rates on euro-sterling rose during the first week of the month but then declined steadily to 12.25 percent, 0.94 percentage point lower than the month's peak and 0.56 percentage point lower than end-January. The rate on euro-Swiss francs fell as low as 3.81 percent during February as a result of a heavy flow of funds out of the U.S. dollar into the Swiss currency; after some fluctuations, the rate at end-February was 3.88 percent, down 0.25 percentage points from end-January. Rates on the eurodollar, the euro-Deutsche mark and the euro-yen fluctuated less and ended the month at 7.81 percent, 4.50 percent and 5.94 percent respectively (0.19 percentage point, 0.13 percentage point and 0.25 percentage point lower than end-January).

As a result of the movements of eurodollar and domestic interest rates in February, uncovered interest differentials were little changed, except for Italy's interest differential favoring domestic investment, which widened markedly, and for the Netherlands' interest differential favoring euro-dollar investment, which rose moderately (Table 7).

Table 7. 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)	
	January	February	January	February	January	February
Belgium	-1.75	-1.84	-3.56	-2.10	+1.81	+0.26
France	-1.00	-0.93	-7.48	-6.20	+6.48	+5.27
Germany	+3.29	+3.30	+3.49	+3.43	-0.20	-0.12
Italy	-7.69	-8.75	-10.15	-10.04	+2.46	+1.29
Japan	+1.94	+1.81	+1.84	+1.98	+0.10	-0.17
Netherlands	+2.22	+2.00	+2.26	+1.96	-0.04	+0.04
United Kingdom	-4.44	-4.36	-4.53	-4.42	+0.09	+0.06

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 exchange market, the premia against the U.S. dollar narrowed significantly for the Netherlands guilder and little for the Deutsche mark but widened for the Japanese yen. The discounts against the U.S. dollar narrowed significantly for the Belgian franc and the French franc and to a lesser extent for the Italian lira and the pound sterling. As a result of the above-mentioned movements in interest differentials and forward exchange quotations, the covered interest differentials favoring eurodollar investment narrowed markedly for Belgium, France and Italy. In the Netherlands they moved from favoring domestic investment to favoring eurodollar investment while in Japan they moved in the opposite direction. Covered interest differentials were little changed in Germany and the United Kingdom (see Table 7 and Charts 8 and 9).

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

The SDR interest rate eased to 7.26 percent for the week beginning February 24 from 7.60 percent for the week beginning January 27 (see Table 8). This movement was caused mainly by the marked decline in the yields on two of the instruments in the SDR interest rate basket--two-month private bills in Japan which eased by 1.08 percentage points to 6.00 percent and three-month Treasury bills in the United Kingdom which eased by 1.05 percentage points to 12.39 percent. Rates on the relevant French and German instruments eased by 0.25 and 0.20 percentage point to 8.75 and 4.51 percent respectively. The yield on three-month U.S. Treasury bills was virtually unchanged.

Table 8. The SDR Interest Rate and the Rate of Remuneration 1/

	January 27	February 3	February 10	February 17	February 24
SDR interest rate	7.60	7.35	7.39	7.32	7.26
Rate of remuneration	7.07 2/	6.76	6.80	6.73	6.68

1/ The rates apply to the weeks beginning with the dates indicated.
2/ 7.07 percent applied through January 31 only. The rate for February 1-2 was 6.99 percent.

During the period covered by Table 9 (January 29-February 26), combined domestic interest rates eased by 0.31-0.56 percentage point (see also Chart 10). With the exception of the rate on the three-month U.S. dollar instrument which firmed marginally, domestic interest rates on the SDR component currencies eased across the board. The declines were most significant for the U.K. and Japanese instruments which eased by 1.00-1.13 percentage points and 0.45-1.08 percentage points respectively. Yields on the relevant French and German instruments eased by 0.12-0.50 percentage point and 0.17-0.20 percentage point respectively, while rates on the relevant U.S. instruments with maturities of six months or longer eased by 0.07-0.49 percentage point.

During the same period, combined eurocurrency offered rates for the three- and six-month maturities eased by 0.37 percentage point and 0.25 percentage point respectively. This decline resulted largely from the sharp fall in interest rates on the euro-French franc (down 1.5-2.00 percentage points) which occurred as the previous month's speculation about an imminent realignment in the EMS lost much of its sense of urgency. Rates on euro-sterling fell by 0.56-1.00 percentage point as concerns about softening oil prices and the Government's political difficulties lessened. Rates on the eurodollar, euro-Deutsche mark, and euro-yen declined more moderately.

Average interest rates on SDR-denominated deposits of selected commercial banks eased by 0.19-0.36 percentage point between January 29 and February 26. Average deposit rates on the latter date ranged from 7.95 percent for one-month deposits to 7.66 percent for 12-month deposits.

Table 9. Yields on Selected SDR-Denominated Assets 1/

	January	February
Combined market interest rates: 2/		
a. Based on domestic rates		
3-month maturity (Rule T-1)	7.63	7.29
6-month maturity	7.63	7.25
12-month maturity	7.50	7.19
2-1/2 year maturity	8.00	7.63
5-year maturity	8.25	7.69
b. Based on eurocurrency offered rates		
3-month maturity	8.75	8.38
6-month maturity	8.38	8.13
Average commercial bank deposit rates 3/		
1-month deposits	8.14	7.95
3-month deposits	8.24	8.02
6-month deposits	8.13	7.77
12-month deposits	8.00	7.66

1/ Rates pertain to last Wednesday of the month.

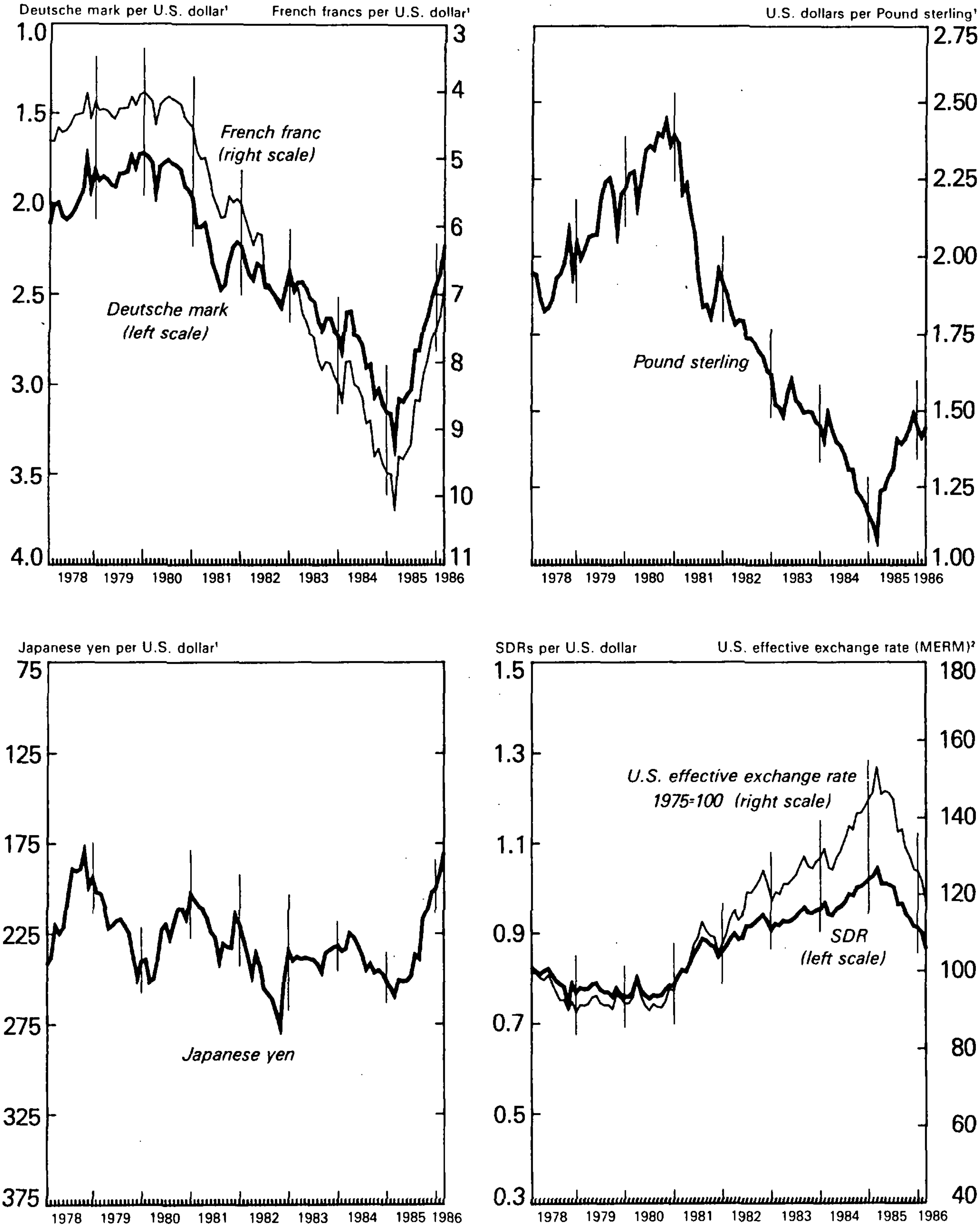
2/ Combined market rates (according to the Rule T-1) are calculated by multiplying the yields or rates of each of the respective instruments by the number of units of the corresponding currency listed in Rule O-1 and the value in terms of the SDR of a unit of that currency as determined by the Fund under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

3/ Average of rates quotd by selected commercial banks.

CHART 1

SPOT EXCHANGE RATES 1978-1986

(end of month)



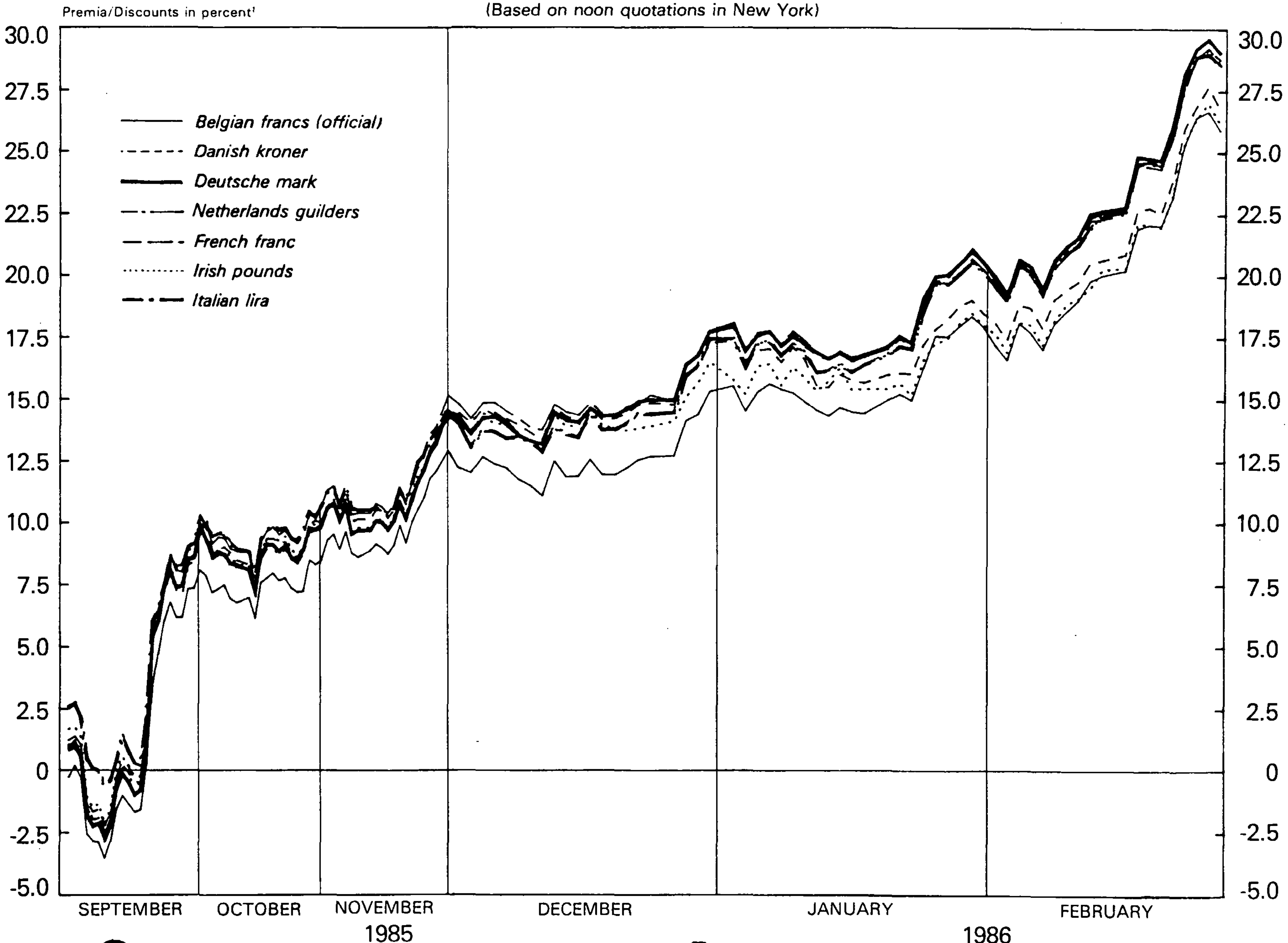
[1]New York noon quotations.

[2]IMF's multilateral exchange rate model. Increase in the index means appreciation.

CHART 2

SPOT EXCHANGE RATES: EUROPEAN MONETARY SYSTEM

(Based on noon quotations in New York)

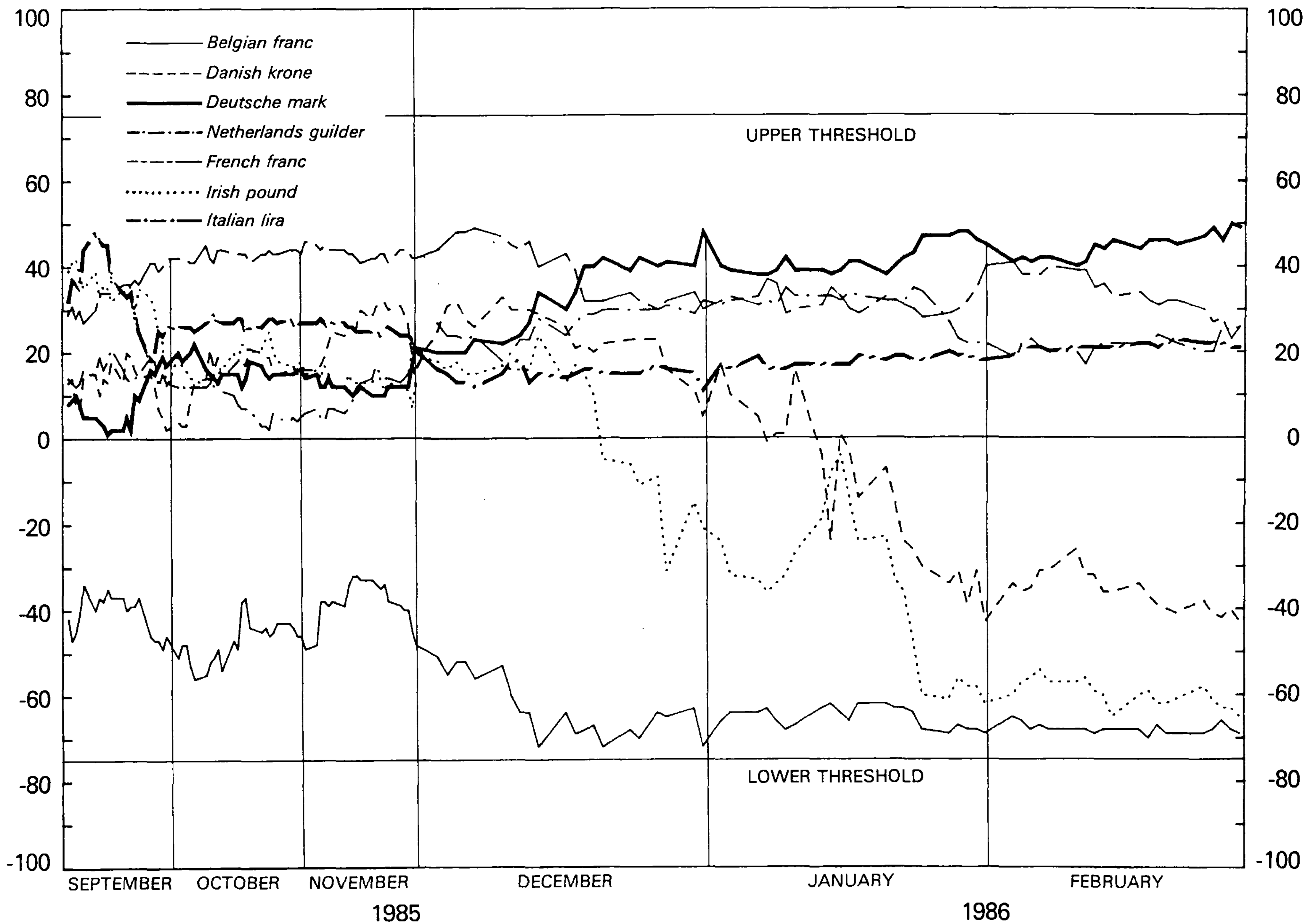


¹Prem[illegible]scounts over declared ECU central rates converted to U.S. dollar terms on the ba[illegible] 1 ECU=$0.777846 effective July 22, 1985.

CHART 3

EUROPEAN MONETARY SYSTEM: DIVERGENCE INDICATORS

(Based on noon quotations in London)



[1] On July 22, 1985, the Italian lira was devalued by 6 percent while the other currencies were revalued by 2 percent.

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

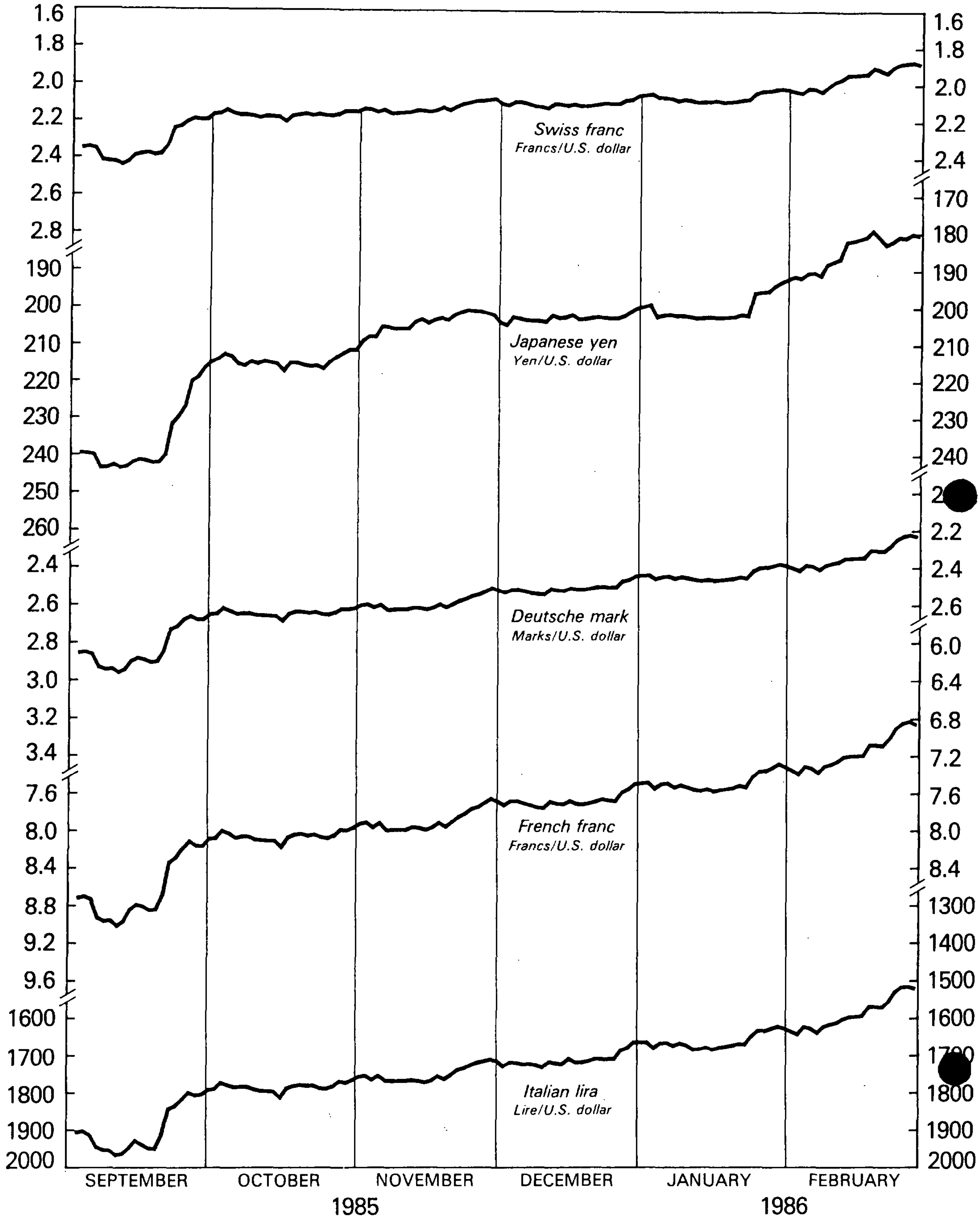


CHART 5

SPOT EXCHANGE RATES

(Noon quotations in New York)

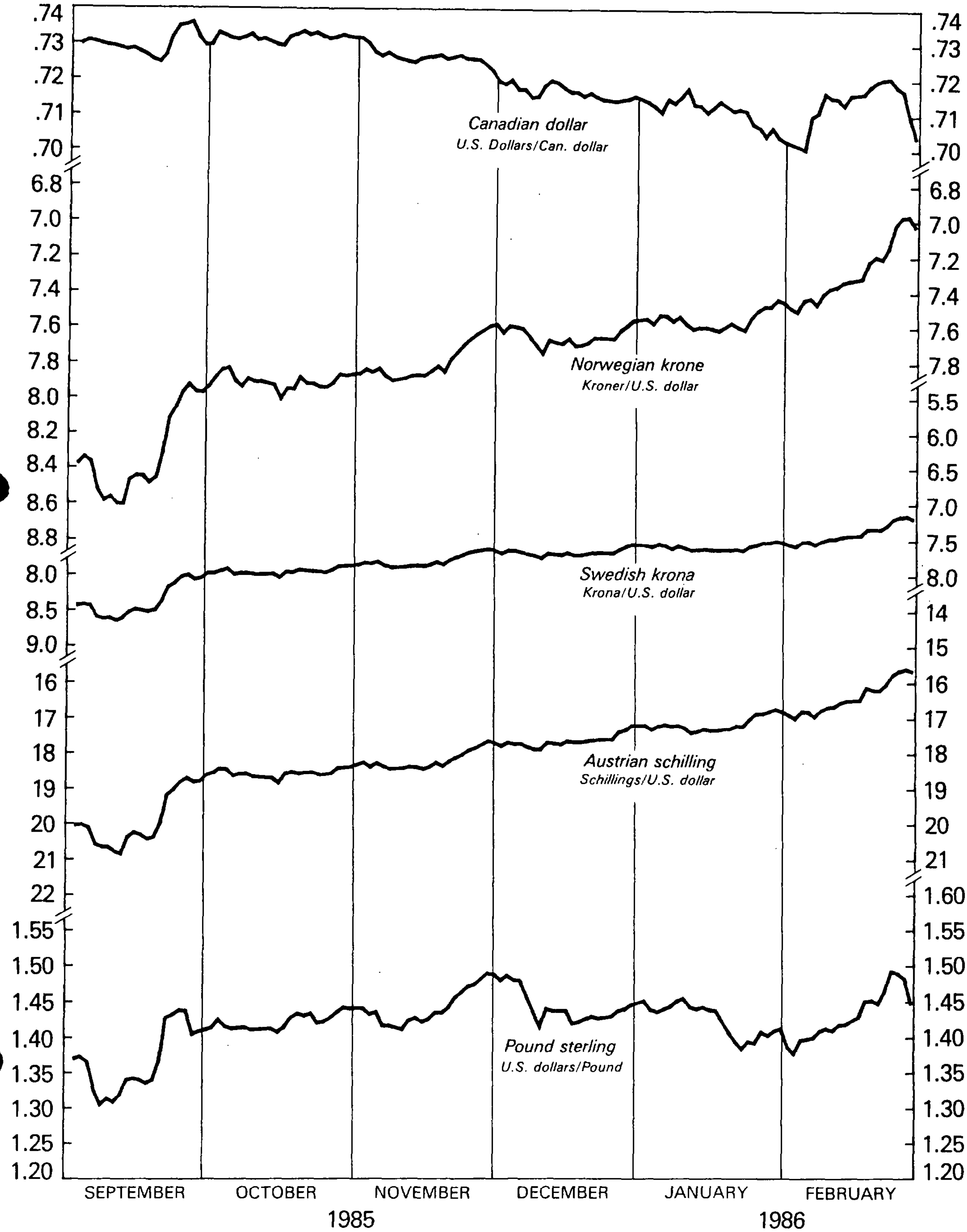


CHART 6

INDEXES OF EXCHANGE RATES OF FIVE MAJOR CURRENCIES AGAINST THE SDR

JUNE 1974 - FEBRUARY 1986

(June 28, 1974=100)

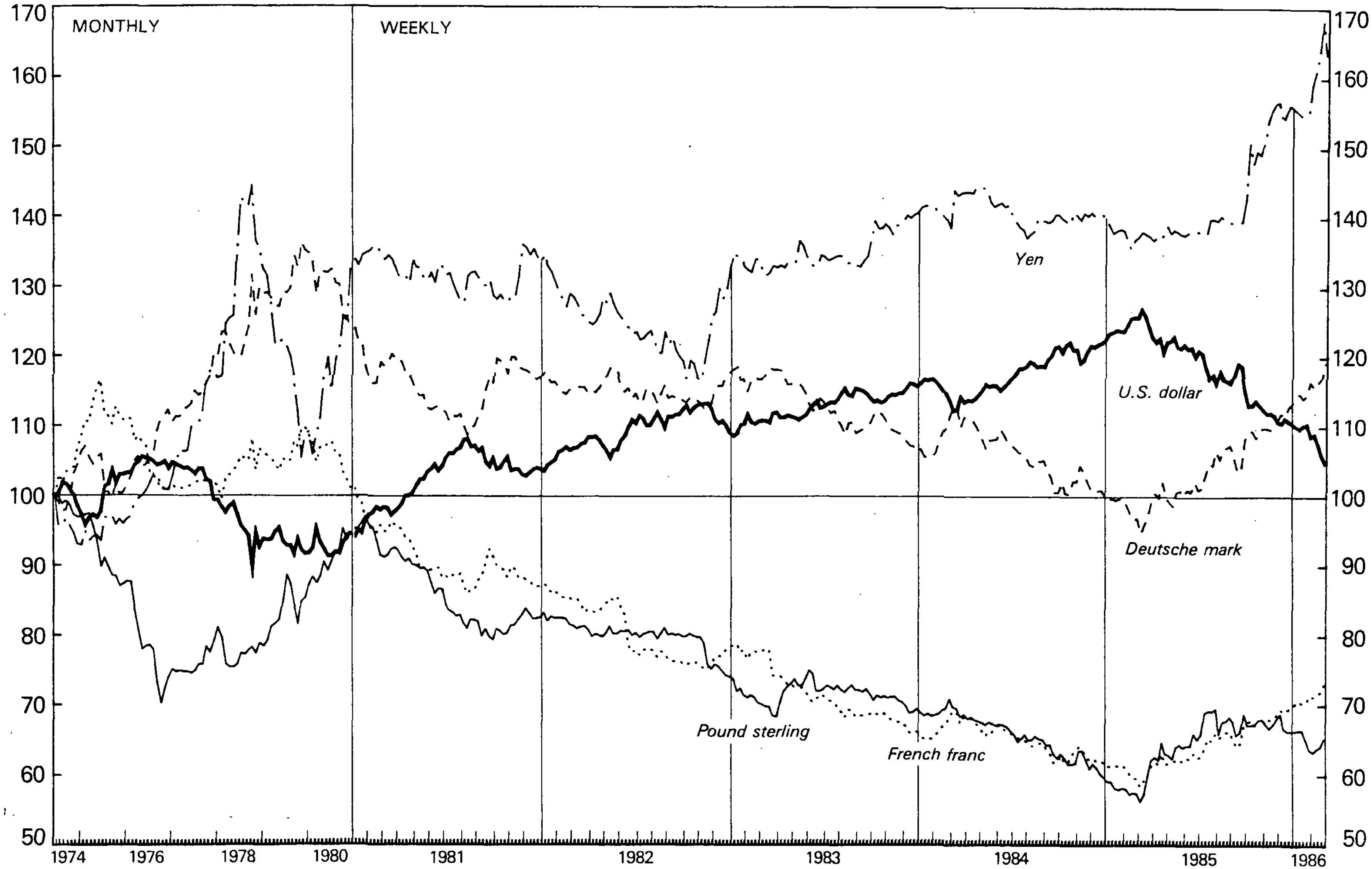


CHART 7
SHORT-TERM MONEY MARKET RATES

(Percent per annum)

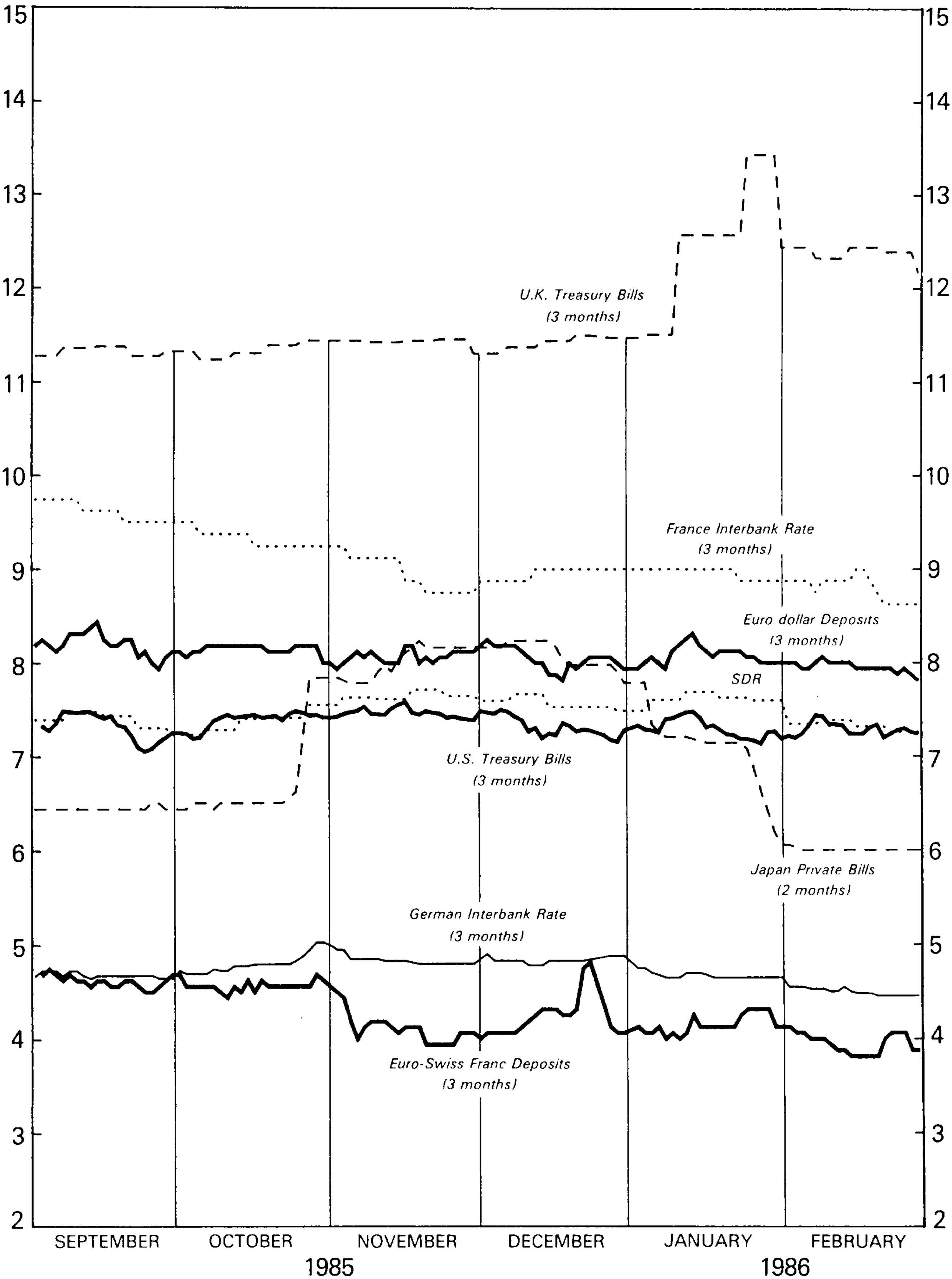


CHART 8

THREE-MONTH FORWARD RATES

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

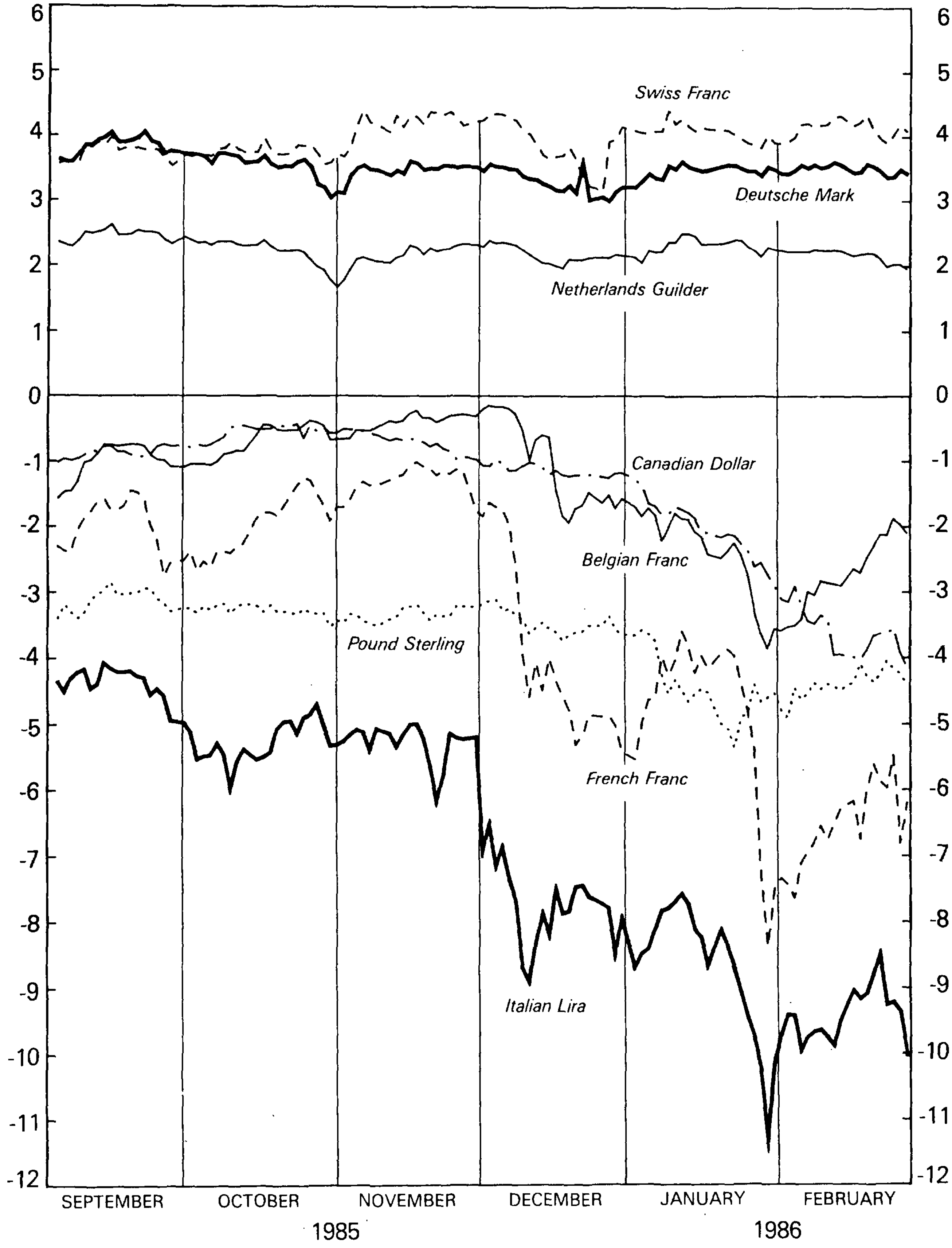


CHART 9

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)

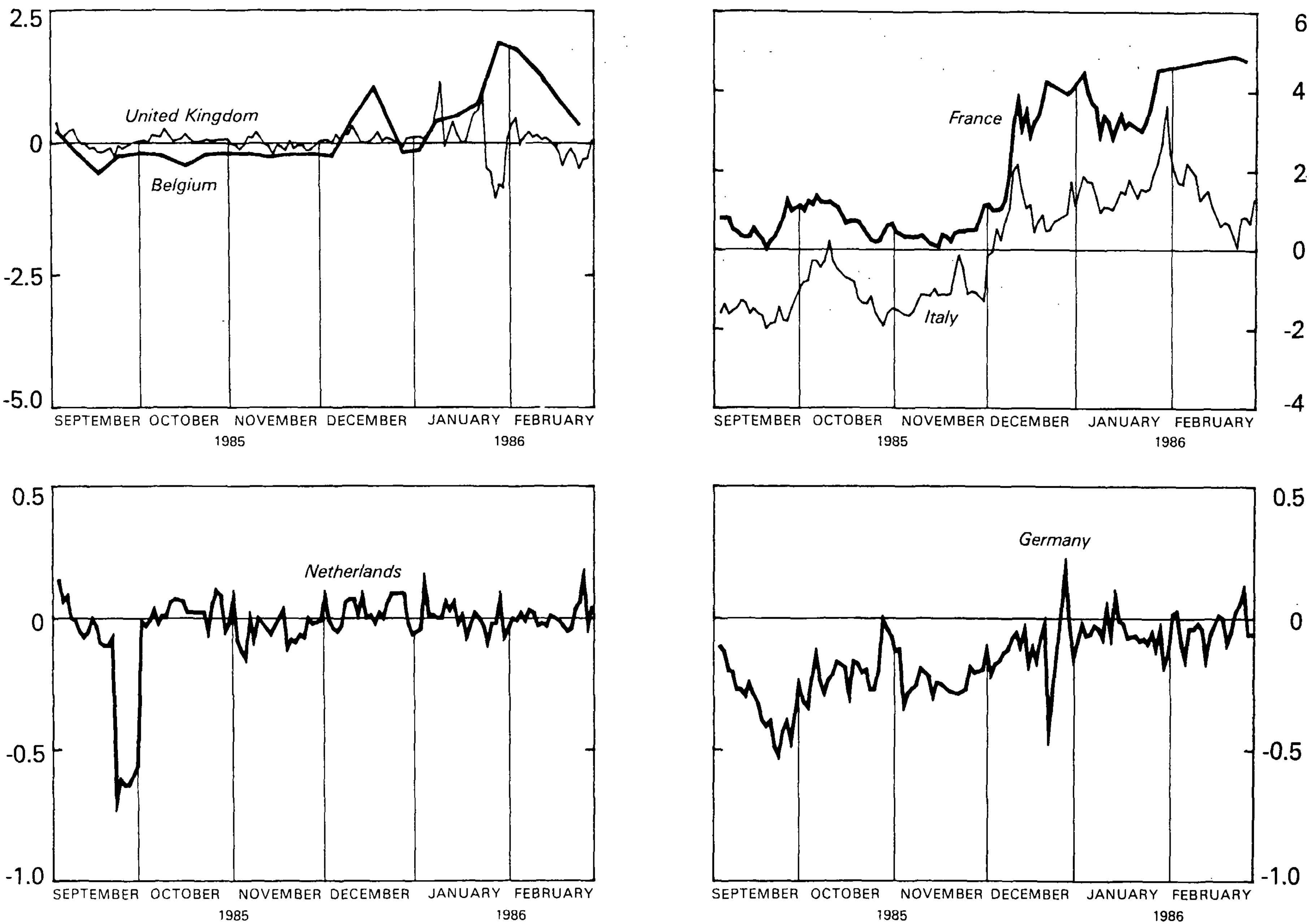
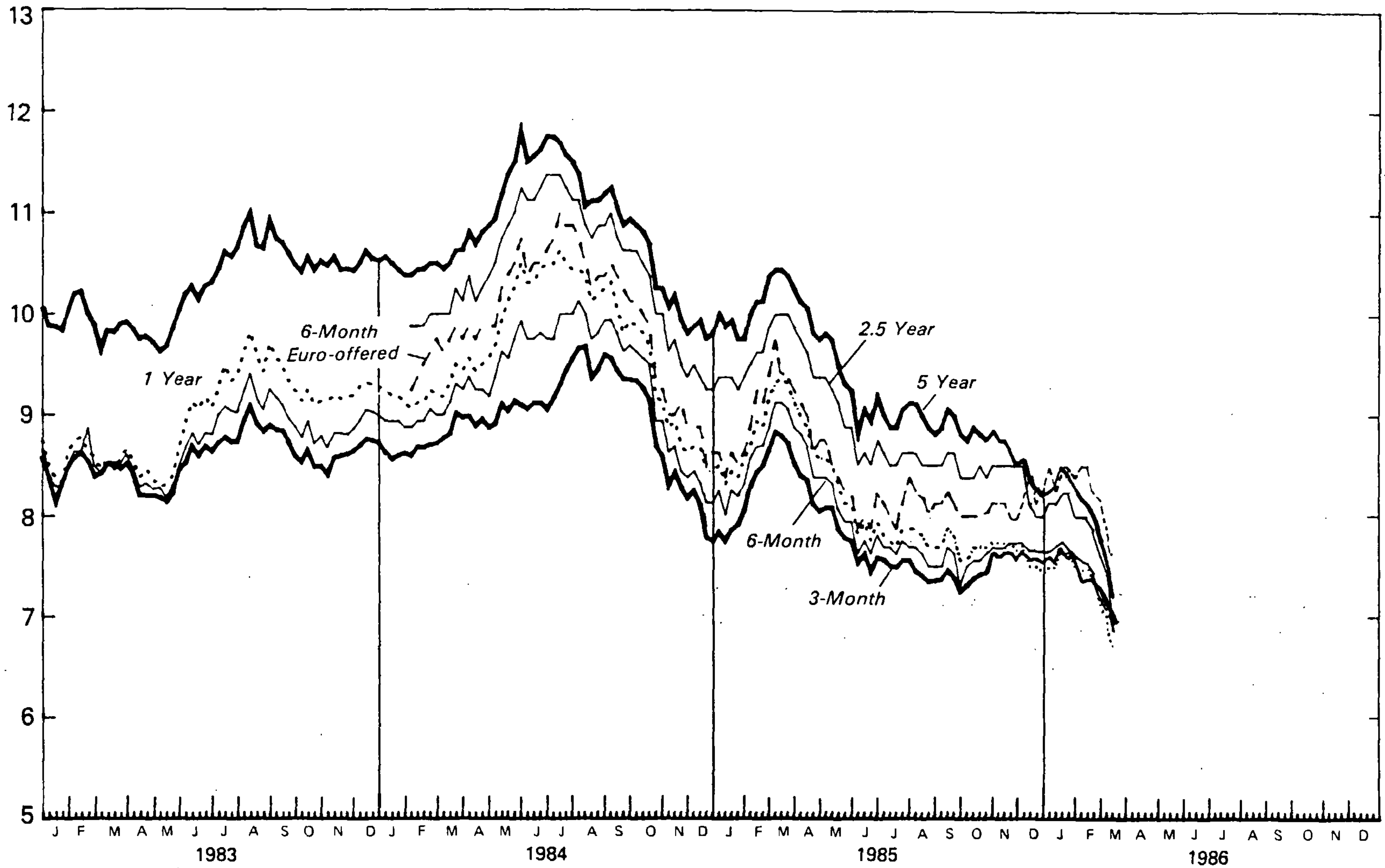


CHART 10

INTEREST RATES ON FUND-RELATED SDR ASSETS

(In percent per annum; weekly Wednesday observations)



Foreign Exchange Rates, January 1986-February 1986 1/

	January 2	January 8	January 15	January 22	January 29	February 5	February 12	February 19	February 26
Austrian schilling	17.1950	17.2150	17.2950	17.2050	16.7950	16.7850	16.6500	16.1250	15.6650
Belgian franc									
Official	49.885	49.945	50.265	50.025	48.855	48.805	48.430	47.275	45.585
Financial	50.525	50.585	50.965	50.655	49.545	49.195	49.045	47.775	45.825
Canadian dollars	0.71390	0.71365	0.71101	0.71197	0.70656	0.70053	0.71492	0.71847	0.71690
Danish kroner	8.90350	8.97000	9.00950	9.00500	8.80300	8.79400	8.72500	8.52000	8.23600
Deutsche mark	2.43750	2.45600	2.46225	2.44800	2.38850	2.38550	2.36740	2.30550	2.22700
French francs	7.48400	7.53550	7.55250	7.51350	7.32550	7.31150	7.26050	7.08500	6.84850
Irish pounds	1.24275	1.24050	1.24800	1.24150	1.26755	1.26800	1.27850	1.31100	1.35675
Italian lire	1664.500	1674.000	1679.000	1669.000	1628.000	1623.000	1612.500	1570.000	1516.500
Japanese yen	199.100	202.050	202.450	201.650	194.050	190.600	186.670	179.300	181.100
Netherlands guilder	2.74800	2.76675	2.77225	2.75725	2.70050	2.69425	2.67375	2.60450	2.51600
Norwegian kroner	7.54850	7.56100	7.59400	7.59500	7.47400	7.43800	7.36500	7.22250	6.97300
Pounds sterling	1.45100	1.44365	1.44250	1.39480	1.40300	1.39625	1.41000	1.45075	1.48950
Swedish kronor	7.56850	7.61750	7.61900	7.62000	7.52500	7.51600	7.47000	7.33500	7.16750
Swiss francs	2.04900	2.08500	2.09000	2.07900	2.02200	2.01850	1.96825	1.90650	1.87950

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.

Option Premiums on the Philadelphia Stock Exchange 1/

I. Deutsche Mark Contracts Expiring in March 1986 2/

	Striking price							
	38	39	40	41	42	43	44	45
End-of-month observations:								
	(Call option premiums)							
December	2.94	2.09	1.40	0.80	--	--	--	--
January	4.26	3.23	2.28	1.42	0.79	0.33	--	--
February	7.03	6.20	5.35	3.83	3.00	2.00	1.09	0.70
	(Put option premiums)							
December	0.11	0.23	0.49	0.95	--	--	--	--
January	--	0.03	0.05	0.18	0.50	--	--	--
February	--	--	--	0.02	0.03	0.10	0.26	0.64

II. Deutsche Mark Contracts Expiring in June 1986 2/

	Striking price								
	38	39	40	41	42	43	44	45	46
End-of-month observations:									
	(Call option premiums)								
January	4.50	3.60	2.76	2.05	1.42	1.02	0.64	--	--
February	7.18	6.20	5.30	4.51	3.65	3.01	2.25	1.69	1.30
	(Put option premiums)								
January	0.09	0.17	0.32	0.54	0.96	1.44	--	--	--
February	--	0.07	0.12	0.20	0.32	0.60	0.88	1.26	1.80

1/ Options traded on the Philadelphia Exchange are "American options," meaning that they can be exercised at any time on or before the maturity date; so-called "European options" can only be exercised on the maturity date.

2/ The size of the Deutsche mark contracts is DM 62,500 and the premiums and striking prices are expressed in terms of U.S. cents per Deutsche mark.

III. Japanese Yen Contracts Expiring in March 1986 1/

	Striking price										
	44	45	47	48	49	50	51	52	54	55	56
End-of-month observations:											
(Call option premiums)											
December	5.68	4.80	2.89	2.00	1.25	0.75	--	0.15	--	--	--
January	7.90	6.90	4.80	4.01	3.04	2.07	--	0.60	--	--	--
February	--	--	8.50	--	--	5.23	--	3.95	1.54	0.94	0.44
(Put option premiums)											
December	--	--	--	0.14	0.34	0.74	1.44	--	--	--	--
January	--	--	--	0.02	--	0.08	0.26	0.60	--	--	--
February	--	--	--	--	--	--	--	0.02	0.26	0.56	0.58

IV. Japanese Yen Contracts Expiring in June 1986 1/

	Striking price								
	50	51	52	53	54	55	56	57	58
End-of-month observations:									
(Call option premiums)									
January	2.50	1.70	1.10	0.70	--	--	--	--	--
February	--	--	4.14	3.70	2.80	1.82	1.48	1.00	0.83
(Put option premiums)									
January	0.33	--	1.04	--	--	--	--	--	--
February	--	--	0.23	--	0.56	1.16	1.40	--	--

1/ The size of the Japanese yen contracts is ¥ 6,250,000 and the premiums and striking prices are expressed in terms of U.S. cents per hundred yen.

Short and Medium-Term Interest Rates

(Monthly and weekly averages)

	Domestic money markets 1/ (three-month)						Eurocurrency markets 2/ (three-month)						Lending rates		U.S. Treasury 5/ securities (five-year)
	United States (1)	Germany (2)	United Kingdom (3)	France (4)	Japan (5)	Combined rate (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)	(15)
1985															
Mar	8.82	6.48	13.45	10.88	6.48	8.70	9.36	6.18	13.62	11.11	6.41	5.80	10.04	10.50	11.52
Apr	8.22	6.11	12.33	10.65	6.34	8.21	8.76	5.89	12.80	10.70	6.33	5.42	9.18	10.50	11.01
May	7.73	5.92	12.31	10.31	6.38	7.89	8.17	5.61	12.65	10.28	6.33	5.16	8.54	10.31	10.34
Jun	7.17	5.75	12.18	10.35	6.32	7.55	7.65	5.51	12.44	10.37	6.30	5.19	7.95	9.78	9.60
Jul	7.31	5.42	11.79	10.12	6.35	7.54	7.95	5.13	12.08	10.51	6.33	5.11	8.17	9.50	9.70
Aug	7.36	4.85	11.24	9.95	6.41	7.42	8.08	4.65	11.50	11.86	6.37	4.66	8.33	9.50	9.81
Sep	7.33	4.75	11.33	9.75	6.45	7.38	8.20	4.52	11.52	10.23	6.43	4.62	8.46	9.50	9.81
Oct	7.39	4.87	11.34	9.46	6.80	7.44	8.15	4.71	11.54	10.17	6.78	4.57	8.32	9.50	9.69
Nov	7.47	4.90	11.44	9.06	8.04	7.65	8.07	4.74	11.57	9.35	7.91	4.11	8.15	9.50	9.28
Dec	7.33	4.90	11.41	9.07	8.10	7.58	8.05	4.83	11.73	11.79	7.59	4.22	8.11	9.50	8.73
1986															
Jan	7.30	4.74	12.47	9.08	7.10	7.59	8.08	4.59	12.87	12.96	6.66	4.15	8.17	9.50	8.68
Feb	7.29	4.56	12.38	8.92	6.00	7.32	7.95	4.51	12.72	14.81	6.07	3.95	8.03	9.50	8.34
1985 Week ending:															
Mar 1	8.77	6.26	13.84	10.87	6.50	8.66	9.41	6.15	14.07	11.14	6.43	5.88	10.02	10.50	11.47
8	9.00	6.52	13.82	10.90	6.50	8.83	9.61	6.31	14.01	11.33	6.43	5.91	10.40	10.50	11.51
15	8.85	6.60	13.73	10.90	6.48	8.75	9.33	6.31	13.59	11.15	6.43	5.80	10.01	10.50	11.54
22	8.81	6.45	13.41	10.90	6.51	8.70	9.24	6.09	13.32	11.01	6.42	5.78	9.93	10.50	11.60
29	8.58	6.39	12.74	10.82	6.44	8.50	9.20	6.00	13.47	10.95	6.38	5.73	9.78	10.50	11.43
Apr 5	8.45	6.24	12.64	10.74	6.38	8.39	9.08	5.99	13.27	10.97	6.39	5.63	9.58	10.50	11.33
12	8.36	6.20	12.62	10.68	6.33	8.32	8.92	5.99	13.03	10.80	6.31	5.58	9.38	10.50	11.19
19	8.12	6.06	12.21	10.65	6.32	8.14	8.65	5.80	12.43	10.63	6.32	5.24	8.99	10.50	10.81
26	8.03	6.01	12.03	10.60	6.32	8.05	8.54	5.81	12.61	10.56	6.30	5.35	8.93	10.50	10.79
May 3	8.05	6.03	12.25	10.52	6.38	8.08	8.65	5.83	12.72	10.50	6.32	5.23	9.04	10.50	10.85
10	8.02	5.96	12.31	10.36	6.38	8.05	8.36	5.66	12.72	10.38	6.31	5.05	8.74	10.50	10.68
17	7.75	5.90	12.34	10.27	6.38	7.90	8.24	5.56	12.63	10.24	6.32	5.06	8.63	10.50	10.39
24	7.49	5.86	12.36	10.27	6.38	7.76	7.95	5.54	12.60	10.19	6.34	5.20	8.31	10.29	10.06
31	7.42	5.88	12.25	10.27	6.38	7.71	7.81	5.58	12.65	10.21	6.33	5.31	8.16	10.00	9.84
Jun 7	7.23	5.81	12.10	10.27	6.36	7.58	7.58	5.49	12.40	10.34	6.37	4.99	7.83	10.00	9.45
14	7.25	5.73	12.20	10.27	6.31	7.58	7.71	5.54	12.52	10.35	6.26	5.21	7.99	10.00	9.60
21	7.02	5.74	12.18	10.39	6.31	7.47	7.49	5.50	12.30	10.34	6.28	5.21	7.79	9.86	9.50
28	7.19	5.75	12.24	10.49	6.31	7.58	7.84	5.51	12.54	10.46	6.30	5.35	8.18	9.50	9.85
Jul 5	7.12	5.64	12.26	10.39	6.31	7.52	7.79	5.41	12.54	10.62	6.32	5.27	8.00	9.50	9.53
12	7.21	5.51	12.14	10.27	6.32	7.55	7.79	5.20	12.42	10.42	6.33	5.15	7.95	9.50	9.50
19	7.29	5.41	11.70	10.04	6.36	7.52	7.90	5.13	11.95	10.12	6.34	5.06	8.11	9.50	9.64
26	7.45	5.25	11.37	9.89	6.38	7.54	8.15	5.02	11.92	10.24	6.32	5.15	8.39	9.50	9.91
Aug 2	7.51	5.15	11.23	9.99	6.38	7.55	8.20	4.86	11.40	12.42	6.32	4.78	8.53	9.50	10.01
9	7.44	4.96	11.24	10.01	6.38	7.47	8.14	4.76	11.54	12.00	6.33	4.61	8.43	9.50	9.98
16	7.35	4.88	11.23	9.97	6.39	7.41	8.08	4.67	11.43	12.30	6.38	4.68	8.33	9.50	9.84
23	7.30	4.76	11.20	9.89	6.44	7.36	8.03	4.50	11.41	11.38	6.40	4.68	8.25	9.50	9.67
30	7.30	4.71	11.30	9.89	6.44	7.37	8.03	4.55	11.61	11.06	6.40	4.68	8.27	9.50	9.66
Sep 6	7.37	4.76	11.29	9.89	6.44	7.41	8.19	4.61	11.63	10.53	6.41	4.69	8.38	9.50	9.76
13	7.47	4.76	11.36	9.81	6.44	7.46	8.35	4.55	11.62	10.14	6.41	4.63	8.68	9.50	9.95
20	7.35	4.75	11.36	9.70	6.44	7.38	8.23	4.47	11.50	9.84	6.42	4.60	8.55	9.50	9.85
27	7.10	4.73	11.29	9.63	6.48	7.25	8.04	4.45	11.34	10.42	6.45	4.55	8.28	9.50	9.66
Oct 4	7.24	4.76	11.31	9.61	6.47	7.31	8.12	4.56	11.51	10.64	6.44	4.61	8.27	9.50	10.16
11	7.40	4.80	11.26	9.51	6.49	7.38	8.19	4.64	11.52	10.56	6.45	4.52	8.38	9.50	10.26
18	7.44	4.86	11.33	9.43	6.51	7.42	8.18	4.70	11.51	10.19	6.42	4.56	8.37	9.50	10.11
25	7.45	4.89	11.40	9.38	6.69	7.46	8.15	4.73	11.56	9.71	6.92	4.56	8.31	9.50	10.03
Nov 1	7.43	5.05	11.44	9.38	7.85	7.65	8.06	4.94	11.61	9.74	7.79	4.59	8.22	9.50	9.55
8	7.49	4.94	11.44	9.28	7.79	7.65	8.08	4.78	11.63	9.51	7.73	4.19	8.17	9.50	9.38
15	7.53	4.90	11.43	9.19	7.99	7.68	8.05	4.73	11.53	9.34	8.10	4.14	8.14	9.50	9.30
22	7.47	4.87	11.45	8.92	8.18	7.65	8.06	4.71	11.54	9.16	8.03	4.02	8.13	9.50	9.21
29	7.41	4.87	11.43	8.87	8.17	7.62	8.12	4.71	11.56	9.30	7.83	4.01	8.18	9.50	9.17
Dec 6	7.48	4.92	11.32	9.00	8.18	7.66	8.20	4.81	11.56	9.93	7.83	4.05	8.25	9.50	9.12
13	7.32	4.87	11.39	9.05	8.24	7.59	8.08	4.80	11.74	11.95	7.94	4.19	8.14	9.50	8.76
20	7.29	4.90	11.45	9.13	8.08	7.56	7.90	4.80	11.76	12.55	7.45	4.29	7.96	9.50	8.55
27	7.25	4.92	11.49	9.13	7.98	7.53	8.04	4.94	11.83	12.46	7.31	4.56	8.11	9.50	8.54
1986 Week ending:															
Jan 3	7.27	4.88	11.48	9.13	7.83	7.62	7.97	4.78	11.86	13.25	6.78	4.08	8.03	9.50	8.50
10	7.36	4.73	11.72	9.13	7.25	7.56	8.06	4.64	12.28	12.49	6.72	4.05	8.13	9.50	8.65
17	7.40	4.75	12.57	9.13	7.18	7.67	8.19	4.38	13.14	12.08	6.83	4.14	8.27	9.50	8.86
24	7.21	4.71	12.74	9.07	7.14	7.57	8.12	4.63	13.50	12.20	6.86	4.19	8.21	9.50	8.75
31	7.21	4.71	13.24	9.00	6.13	7.45	8.01	4.63	12.95	14.90	6.28	4.24	8.12	9.50	8.56
Feb 7	7.29	4.61	12.41	9.00	6.02	7.34	7.98	4.54	12.97	15.35	6.14	4.05	8.06	9.50	8.52
14	7.34	4.58	12.34	9.00	6.00	7.34	8.01	4.50	12.77	15.20	6.09	3.90	8.12	9.50	8.44
21	7.27	4.53	12.43	8.97	6.00	7.32	7.94	4.50	12.69	14.48	5.99	3.85	8.00	9.50	8.32
28	7.26	4.51	12.34	8.74	6.00	7.27	7.89	4.51	12.45	14.06	6.03	3.99	7.95	9.50	8.06

1/ As of January 1, 1986, 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 (\$ 0.452), three-month interbank deposit rates in Germany (DM 0.527), three-month interbank money rate against private paper in France (F 1.02), discount rates on two-month (private) bills in Japan (¥ 33.4), and market yield for three-month U.K. Treasury bills (£ 0.0893). Before January 1, 1986, the respective currency units were \$ 0.54, DM 0.46, F 0.74, ¥ 34, and £ 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.