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INTERNATIONAL MONETARY FUND

Treasurer's Department

Foreign Exchange and Financial Markets in March 1986

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Declining oil prices in March continued to reduce inflationary expectations and contributed to actual price declines in several countries. Against this background, and after concerted cuts in a number of official interest rates, financial market conditions eased significantly in most major countries. The value of the U.S. dollar was little changed during the first three weeks of the month, but began to firm markedly in the final week amid reports that national authorities believed the dollar's fall was more or less complete.

I. Foreign Exchange Markets

After posting six consecutive monthly declines, the U.S. dollar firmed on balance during March, appreciating by 1.60 percent in effective (MERM) terms. The three currencies to gain against the U.S. dollar were those of Canada, Japan, and the United Kingdom. The other leading currencies, particularly those in the exchange arrangements of the European Monetary System, eased markedly (see Table 1).

During the first three weeks of March, the U.S. dollar showed little net change against these latter currencies, although there were frequent up-and-down daily changes. Such fluctuations occurred amid expectations of, and later cuts in, the official interest rates of several countries (see Part III). Day-to-day movements in the U.S. dollar also appeared to reflect the release of U.S. economic data mostly pointing to sluggish growth, as well as concerns that some central banks might intervene to support the dollar if it fell too rapidly. The U.S. dollar then firmed very sharply after the third week of the month. The announcement of the resignation of the Vice-Chairman of the U.S. Federal Reserve was apparently interpreted by market participants as tending to move U.S. monetary policy toward greater restraint. "Safe-haven" demand for the U.S. currency in response to the U.S.-Libya conflict also appeared to push the dollar higher, as did reports that the Bank of Japan and the U.S. Federal Reserve had agreed that the dollar's fall was more or less complete.

Table 1. Changes in Exchange Rates during March 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 March 1985
Belgium	-4.68	-2.76	-1.32	+4.82
Denmark	-4.67	-3.99	-3.58	+7.03
France	-4.71	-2.76	-1.96	+9.21
Germany	-4.85	-2.79	-2.00	+9.34
Ireland	-4.52	-2.71	-2.44	+9.05
Italy	-4.73	-2.97	-2.10	+1.53
Netherlands	-4.72	-2.52	-1.40	+9.54
Austria	-4.74	-2.70	-2.22	+10.84
Canada	+1.77	+3.23	+2.56	-10.29
Japan	+1.69	+1.60	+1.64	+25.68
Norway	-3.67	-2.98	-2.80	+1.97
Sweden	-2.30	-0.70	-0.04	+1.58
Switzerland	-3.45	-2.00	-1.34	+11.94
United Kingdom	+1.90	+2.70	+3.57	-1.92
United States	--	+1.54	+1.60	-18.35

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.

Table 2. Changes in Selected Exchange Rates 1/

(In percent)

	Between end-June 1980 and lows against the U.S. dollar (March 1985) 2/	Through end-March 1986	
		From February 1985 2/	From September 20, 1985 3/
Deutsche mark	-48.90	+47.26	+21.44
Pound sterling	-55.33	+40.07	+7.79
French franc	-61.22	+46.55	+20.49
Japanese yen	-16.44	+48.21	+35.24
U.S. dollar effective exchange rate (MERM)	+73.82	-23.84	-15.19

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.

Although the U.S. dollar also firmed against the Japanese yen and the pound sterling after the third week of March, during the month as a whole it eased against these two currencies as well as the Canadian dollar. The pound sterling firmed by 1.90 percent against the U.S. dollar despite falling oil prices and OPEC's failure to reach agreement on production limits for individual countries. The attraction of relatively high U.K. interest rates, together with continued strength in the U.K. equity market, appeared to have raised the demand for the pound sterling, which in effective (MERM) terms appreciated by 3.57 percent. The Japanese yen firmed by 1.69 percent against the U.S. dollar, hitting a record high value of ¥ 175.705 per U.S. dollar on March 17. 1/ Market perceptions that lower oil prices benefit Japan much more than the United States, and the sizable Japanese trade surplus with the United States appeared to generate positive market sentiment for the yen. Finally, the Canadian dollar, which had been virtually unchanged in February, firmed by 1.77 percent against the U.S. dollar as the interest differential between these two countries remained very strongly in favor of the Canadian dollar.

The other leading currencies eased by 2.30-4.85 percent against the U.S. dollar, with the currencies participating in the exchange arrangements of the European Monetary System (EMS) easing by 4.52-4.85 percent (see Table 1 and Charts 2 and 4). The divergence indicators for the currencies in the EMS all remained within their thresholds throughout March (see Chart 3), although the indicator for Belgium approached its lower threshold, as it had in February. On frequent occasions the spread in the EMS parity grid in New York continued to exceed the permitted maximum 2.25 percent margin maintained by the European central banks in the European markets, thus indicating some pressures on the EMS. The Deutsche mark was the strongest currency, while the Belgian franc remained the weakest currency in the EMS for most of the month. At times the Irish pound replaced the Belgian franc as the weakest currency, and it also generally stayed very close to the bottom of the parity grid. There were market reports of some intervention in March by the Bundesbank, the Bank of France, and the National Bank of Belgium in support of the Irish pound and the French and Belgian francs. It was also reported that the Belgian monetary authorities spent about BF 19 billion in February and BF 41 billion in January to support the Belgian franc in foreign exchange markets.

Changes in the volatility of exchange rates for major currencies against the U.S. dollar, as indicated by the measures given in Table 3, were mixed. For the EMS currencies, the high-low spreads fell to 6.2-6.6 percent in March from 8.3-8.7 percent in February; however, the average of absolute daily percentage changes (MAC in Table 3) rose for each currency and averaged 0.86 percent in March compared with a markedly lower average of 0.62 percent in February. The high-low spreads

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1/ The previous high for the yen at noon in New York was ¥ 177.00 per U.S. dollar in October 1978.

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

	March 2/		High-low spread in percent 3/		MAC 4/	
	High	Low	Feb.	Mar.	Feb.	Mar.
Belgium	45.090	48.035	8.6	6.5	0.63	0.87
Denmark	8.1300	8.6500	8.7	6.4	0.63	0.87
France	6.7710	7.2025	8.3	6.4	0.62	0.83
Germany	2.2005	2.3440	8.7	6.5	0.64	0.87
Ireland	1.37275	1.29250	8.6	6.2	0.62	0.83
Italy	1497.50	1596.50	8.4	6.6	0.61	0.87
Netherlands	2.4853	2.6425	8.6	6.3	0.62	0.90
Austria	15.465	16.455	8.9	6.4	0.68	0.85
Canada	0.72033	0.70212	3.6	2.6	0.42	0.24
Japan	174.950	181.375	7.1	3.7	0.66	0.66
Norway	6.9600	7.3100	7.8	5.0	0.55	0.68
Sweden	7.1400	7.3800	6.1	3.4	0.46	0.49
Switzerland	1.8713	1.9600	8.9	4.7	0.77	0.85
United Kingdom	1.51200	1.44175	8.3	4.9	0.77	0.73

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.

also fell for the other major currencies reported in Table 3, to 2.6-6.4 percent in March from 3.6-8.9 percent in February, while the changes in MAC over these two months were mixed; on average, however, MAC was little changed at 0.64 percent in March and 0.62 percent in February.

Changes in gross foreign exchange reserves were mixed in March (see Table 4). Switzerland recorded the largest increase, while Germany and Canada registered the most marked declines. Over the latest 12-month period, most major industrial countries experienced increases in their gross foreign exchange reserves, with Germany and the United States recording gains of over $7 billion. Italy and Canada, however, registered sizable foreign exchange losses.

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

(In millions of U.S. dollars)

	End-month reserve level	Change in March	Change over 12 months
Belgium	3,981	-141	+265
Denmark	4,197	-458	+613
France (January)	23,836	-483	+4,334
Germany	39,867	-1,133	+7,766
Ireland	2,781	+63	+58
Italy	13,370	+111	-3,367
Netherlands	9,284	-211	+1,913
Austria	4,090	-189	+1,024
Canada	1,574	-1,177	-791
Japan	23,540	+347	+1,061
Norway	12,626	-259	+3,048
Sweden	3,204	-229	-14
Switzerland	16,259	+1,251	+3,667
United Kingdom	10,733	-220	+3,713
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

In early March the Chicago Mercantile Exchange started trading option contracts on Japanese yen futures. 1/ The options give the right to buy (call option) or sell (put option) a ¥ 12,500,000 futures contract. The expiration dates are in March, June, September, and December, but the options expire 12 days before the expiration of the underlying futures contract (on the third Wednesday of the contract month). Options on futures contracts traded on the Chicago Mercantile 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, and the Chicago Board Options Exchange has been trading European option contracts on ¥ 12,500,000 since late last year. The expiration dates are also in March, June, September, and December as well as in the two near-term months, and the actual dates fall on the Saturday preceding the third Wednesday of the expiration month. Japanese yen option contracts are traded on the Philadelphia Stock Exchange as well, and Appendix B reports some of the premiums associated with different striking prices at the end of March and at the end of the previous two months on the ¥ 6,250,000 option contracts traded in Philadelphia, as well as the DM 62,500 option contracts traded there.

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

During the month of March, the continuing decline of oil prices led to sharp downward adjustments in wholesale and consumer price indices in many countries and strengthened the sentiment in major financial centers that inflation rates would remain subdued over the medium term. Declining actual and expected inflation was a factor leading to falling interest rates. Against this background, Germany, Japan, and the United States lowered official discount rates near the beginning of the month, followed some days later by the United Kingdom and some other countries. Initially, these cuts were widely seen as part of a carefully planned and coordinated international strategy to lower interest rates; however, a somewhat different view emerged later in the month with the reporting of anecdotal evidence indicating divergent views on the subject of interest rates among authorities in several major countries. Inflation rates tended to decline throughout the month with year-on-year price increases around three percent or less in many industrial countries (Table 6 and Chart 7).

Interest rates in the United States declined steadily throughout the month of March, reflecting in part continuing low inflationary expectations, sluggish economic activity and a higher-than-expected

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1/ Foreign currency options were described in detail in DM/85/47 (8/14/85).

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): February	March
Austria	Jan./Feb.	-1.57	(0.5)	2.5	(2.9)	4.00	4.00
Belgium	Jan./Mar.	-3.9	(-2.4)	1.5	(2.5)	9.65	9.25
Canada	Jan./Feb.	5.1	(4.3)	4.1	(4.4)	11.60	10.05
Denmark	February	-1.8	(-1.5)	2.1	(2.8)	7.00	7.00
France	Dec./Feb.	-1.8	(-1.4)	3.4	(4.2)	8.75	8.37
Germany	Feb./Mar.	-5.2	(-1.9)	0.1	(0.7)	4.51	4.75
Italy	Jan./Mar.	4.8	(5.9)	7.2	(7.6)	16.56	14.81
Japan	February	-6.3	(-4.6)	1.8	(1.4)	6.00	5.36
Netherlands	... /Mar.	...	(...)	0.7	(1.2)	5.81	5.44
Norway	Feb./Mar.	2.2	(3.2)	5.5	(6.1)	13.30	13.14
Sweden	January	2.9	(3.4)	6.1	(5.7)	9.50	8.50
Switzerland	Feb./Mar.	-2.6	(-1.4)	0.9	(1.3)	3.88	4.00
United Kingdom	February	5.0	(5.2)	5.1	(5.5)	12.17	10.98
United States	February	-0.1	(1.4)	3.2	(3.9)	7.24	6.53

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; inter-bank 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.

unemployment rate. In addition, on March 7 the Federal Reserve followed similar moves in Germany and Japan and lowered its discount rate by 0.5 percent to 7 percent--its lowest level since 1978. This policy action was followed quickly by declines in short-term money market rates. The effective Federal funds rate fell markedly and then declined more moderately; in terms of monthly averages it eased to 7.48 percent from 7.86 percent in February. The yield on three-month Treasury bills fell steadily throughout the month; at the end of March it was 6.53 percent, 0.71 percentage point lower than at end-February. The 90-day CD rate eased by 0.47 percentage point to 7.12 percent during the course of the month. During March yields on longer-term assets again fell by more than short-term rates, as the yield on 30-year maturities fell by 0.83 percent to 7.44 percent and the slope of the yield curve declined further. The differential between the yield on three-month Treasury bills and that on 30-year Treasury securities, which had been 1.03 percentage points at end-February, narrowed to 0.91 percentage point by end-March. The decline in interest rates during March was associated with a fairly large increase in the narrow monetary aggregate. The M1 measure of the U.S. money supply, seasonally adjusted, averaged $640.1 billion in the week ended March 31, compared with $634 billion in the week ended February 24, for an increase of nearly 14 percent at an annual rate. The rise left M1 slightly above the upper limit of the Federal Reserve's target range of 3-8 percent annual growth during 1986.

With the notable exception of Germany, most countries participating in the EMS experienced easier money market conditions in March, in part reflecting cuts in official interest rates. In Germany, the three-month interbank money rate moved within a narrow range for most of the month, but closed the month on a firming trend at 4.75 percent, up 0.23 percentage point from end-February. The Bundesbank lowered its discount rate from 4 percent to 3.5 percent with effect from March 7. This cut was seen as bringing the discount rate closer into line with prevailing rates in the domestic financial markets and also of providing some stimulation to an economy in which a persistently high rate of unemployment coexisted with a very low and still falling rate of inflation. However, many market analysts felt that the Bank's failure to cut the Lombard rate was an indication that the cut in the discount rate was promoted less by domestic reasons than by agreement to begin a coordinated international strategy, which would ultimately permit the United States to lower its discount rate and revive growth in the U.S. economy. The Bundesbank also announced that it would reduce rediscount quotas for domestic banks by DM 5 billion to DM 58.3 billion, effective May 1, in order to offset the major part of the release of liquidity, which would result from the cut in the required minimum reserves announced last December, which was also due to become effective on May 1. Germany's central bank money stock grew at an annual rate of 6.64 percent in March, slower than the 7.48 percent rate recorded in February, but still above the target range of 3.5-5.5 percent growth for 1986.

In France, the three-month interbank money rate declined steadily during March and closed the month at 8.37 percent, down from 8.75 percent at end-February. The Bank of France followed the Bundesbank's discount rate reduction and, for the second consecutive month, lowered its money market intervention rate by 0.25 percentage point, bringing the rate to 8.5 percent effective March 7. In a statement, the Bank of France said that the reduction would contribute to a harmonious evolution of interest rates, notably within the EMS. The election of a new government in France in mid-March had no significant impact on domestic short-term interest rates.

In the Netherlands, the three-month interbank money rate eased by 0.37 percentage point during March, ending the month at 5.44 percent, less than 1.0 percent above the corresponding level in Germany. The Netherlands Bank also followed the Bundesbank's lead in cutting official rates on March 7: the official discount rate was cut by 0.5 percentage point to 4.5 percent, and the advances rate (applicable to secured loans extended to commercial banks) and the promissory note rate (to which bank lending rates are aligned) were both reduced by the same amount to 5.0 percent and 5.5 percent respectively. In Italy, the rate on three-month interbank money remained well above 16.0 percent for most of the month, but then declined rapidly in the last week following the 1.0 percentage point cut in the official discount rate announced on March 21; it closed the month at 14.81 percent, down 1.75 percentage points from end-February. Announcing the official discount rate cut, the Italian Treasury remarked that Italy had been able to join in the round of interest cuts seen in other major industrial countries during March as a result of favorable prospects for Italian inflation and the balance of payments that coincided with an improved situation on foreign exchange markets. Following the cut in the discount rate, several commercial banks lowered prime rates to 15.25 percent from 16 percent.

Despite concerns about the possible impact of falling oil prices on the value of the pound, interest rates fell steadily in the United Kingdom during March. The three-month interbank rate fell by 1.03 percentage point to 11.38 percent and the three-month Treasury bill rate by 1.19 percentage point to 10.98 percent. On March 19, following favorable market reaction to the annual budget statement, the Bank of England lowered its short-term money market dealing rates by 1 percentage point; this move was followed by the leading commercial banks, which cut their base rates for loans by the same amount to 11.5 percent. In his budget speech, the Chancellor of the Exchequer stated that he intended to give renewed prominence to targetting the growth of the broad measure of the money supply, sterling M3. Since last autumn, the Government had been downplaying the importance of sterling M3 and had focussed more closely on movements in the narrower measure M0. The new target range for the growth of sterling M3 in 1986/87 was set at 11-15 percent, considerably higher than the 4-8 percent range at first envisaged. The latest Bank of England data showed that sterling

M3 rose a provisional, seasonally adjusted 2.25 percent in the four weeks to March 19. The year-on-year growth rate of 16.5 percent was 1.25 percentage points higher than in the banking month of February, and thus was further above the annual target range of 5-9 percent for sterling M3 growth in the year ending March 1986. Sterling M0 rose by about 0.5 percent in banking March after falling by 0.6 percent in banking February. 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 March 7 to cut the official discount rate led to an immediate fall in domestic interest rates. The rate on two-month private bills dropped 0.51 percentage point on the following business day and later declined a further 0.13 percentage point to close the month at 5.36 percent, down from 6.0 percent at end-February. In cutting its discount rate from 4.5 percent to 4.0 percent, the Bank of Japan expressed the hope that the move would help prevent excessive fluctuations in exchange rates, strengthen the growth in domestic demand, and contribute to further adjustment of the external balance. Later in the month, banks in Japan cut their long-term prime rates to 6.4 percent from 6.9 percent. Also during March, in an effort to achieve closer control over interest rates, the Bank of Japan adopted the tactic of lending funds to money houses for use in purchasing commercial banks' yen certificates of deposit. The Bank of Japan thereby brought CD rates closer to comparable interbank rates and facilitated interest rate arbitrage between the two money markets. The first use of this tactic took place on March 10 when ¥ 100 billion was lent to brokers. In Sweden, the Sveriges Riksbank cut its discount rate from 9.5 percent to 8.5 percent on March 13. The Central Bank Governor announced that although there were domestic justifications for the cut-notably the continuing gross inflow of foreign exchange--the decision largely reflected efforts by other industrial nations to coordinate interest rate policies and the encouragement to participate that Sweden had received. Both Austria and Switzerland decided not to follow Germany and left their official interest rates unchanged.

Three-month interest rates in the eurocurrency markets generally declined during March, reflecting movements in domestic interest rates. The drop was largest for the euro-French franc which declined by 1.75 percentage points to 12.50 percent. The rate remained near 14 percent during the first half of the month, but then, following favorable market reaction to the change in Government in France, it fell swiftly to 11 percent before rising again in the last week of the month with the emergence of speculation that the new government might seek an EMS realignment. Rates on euro-sterling and the euro-yen also fell markedly by 0.81 percentage point and 0.63 percentage point, respectively, ending the month at 11.44 percent and 5.31 percent. Rates on the eurodollar eased moderately by 0.43 percentage point to 7.38 percent, whereas rates on the euro-Deutsche mark, after some fluctuations, ended the month unchanged at 4.50 percent. The rate on the euro-Swiss franc, which had fallen below 4 percent during February, firmed by 0.12 percentage point to 4.00 percent as the heavy demand for Swiss francs recorded in February subsided.

Reflecting movements in eurodollar and domestic interest rates in March, uncovered interest differentials favoring domestic investment narrowed markedly for Italy and the United Kingdom, while the differentials favoring eurodollar investment narrowed by a similar magnitude for Germany and widened moderately for Japan. Other uncovered interest differentials were little changed (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)	
	February	March	February	March	February	March
Belgium	-1.84	-1.87	-2.10	-2.69	+0.26	+0.82
France	-0.93	-0.98	-6.20	-4.52	+5.27	+3.54
Germany	+3.30	+2.63	+3.43	+2.79	-0.12	-0.16
Italy	-8.75	-7.43	-10.04	-7.21	+1.29	-0.22
Japan	+1.81	+2.02	+1.98	+2.24	-0.17	-0.22
Netherlands	+2.00	+1.94	+1.96	+1.93	+0.04	+0.01
United Kingdom	-4.36	-3.60	-4.42	-3.79	+0.06	+0.19

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 Deutsche mark but only marginally for the Netherlands guilder, and widened markedly for the Japanese yen. The discounts against the U.S. dollar narrowed significantly for the French franc and the Italian lira and to a lesser extent for the pound sterling, while widening moderately for the Belgian franc. Reflecting these above-mentioned movements in interest differentials and forward exchange quotations, the covered interest differentials favoring eurodollar investment narrowed markedly for France and slightly for the United Kingdom and the Netherlands, but widened moderately for Belgium. The covered interest differential in Italy moved to favoring domestic investment, while in Japan and Germany covered interest differentials in favor of domestic investment were little changed (see Table 7 and Charts 8 and 9).

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

The SDR interest rate eased sharply during the month of March to 6.76 percent for the week beginning March 24 from 7.26 percent for the week beginning February 24 (see Table 8). This movement reflected

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

	February 24	March 3	March 10	March 17	March 24	March 31
SDR interest rate	7.26	7.23	6.99	6.79	6.76	6.75
Rate of remuneration	6.68	6.65	6.43	6.25	6.22	6.21

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

falling yields on four of the instruments in the SDR interest rate basket. The yield on three-month Treasury bills in the United Kingdom eased by 1.41 percentage points to 10.98 percent, the yield on three-month U.S. Treasury bills eased by 0.67 percentage point to 6.53 percent, and yields on the relevant Japanese and French instruments eased by 0.64 and 0.38 percentage points to 5.36 percent and 8.36 percent, respectively. In contrast, the rate on German three-month interbank money firmed by 0.23 percentage point to 4.75 percent.

During the period covered by Table 9 (February 26 - March 26), combined domestic interest rates eased by 0.50-0.75 percentage point (see also Chart 10). With the exception of the rates on three- and six-month Deutsche mark instruments, which firmed slightly, and the rate on the twelve-month French franc instrument, which was unchanged, domestic interest rates on the SDR component currencies eased across the board. The declines were most significant for the U.K. instruments which eased

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

	February	March
Combined market interest rates: 2/		
a. Based on domestic rates		
3-month maturity (Rule T-1)	7.29	6.78
6-month maturity	7.25	6.75
12-month maturity	7.19	6.69
2-1/2 year maturity	7.63	6.88
5-year maturity	7.69	7.06
b. Based on eurocurrency offered rates		
3-month maturity	8.38	7.88
6-month maturity	8.13	7.63
Average commercial bank deposit rates 3/		
1-month deposits	7.95	7.81
3-month deposits	8.02	7.42
6-month deposits	7.77	7.15
12-month deposits	7.66	6.98

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.

by 1.06-1.31 percentage points. Yields on the relevant U.S. and Japanese instruments eased by 0.65-0.78 percentage point and 0.26-0.75 percentage point respectively, while rates on the relevant French and German instruments not mentioned above eased by 0.38-0.84 percentage point and 0.13-0.26 percentage point, respectively.

During the same period, combined eurocurrency offered rates for the three- and six-month maturities eased by 0.50 percentage point. This decline largely reflected the sharp fall in interest rates on the euro-French franc (down 0.75-1.63 percentage points) and on euro-sterling (down 0.81-1.13 percentage points). Rates on the eurodollar and on the euro-yen declined more moderately and rates on the euro-Deutsche mark firmed marginally.

Average interest rates on SDR-denominated deposits of selected commercial banks eased by 0.14-0.68 percentage point between February 26 and March 26. Average deposit rates on the latter date ranged from 7.81 percent for one-month deposits to 6.98 percent for twelve-month deposits.

V. Recent Macro-Economic Developments

In the United States, most of the economic news pointed to a sluggish economy. Following a 0.1 percent increase in January, seasonally adjusted retail sales fell 0.1 percent in February, and in the same two months the seasonally adjusted industrial production index rose 0.1 percent and fell 0.6 percent, respectively. The unemployment rate, seasonally adjusted, rose from 6.7 percent in January to 7.3 percent in February, falling only slightly to 7.2 percent in March. Housing starts fell a seasonally adjusted 3.5 percent in February after increasing by 9.2 percent in the previous month. Real GNP growth in the fourth quarter was revised downward to 0.7 percent at a seasonally adjusted annual rate from 1.2 percent, while the current account deficit hit a record $36.56 billion in the same quarter compared with $29.30 billion in the previous quarter. Leading indicators, however, rose 0.7 percent in February after posting no change in the previous month. While durable goods orders fell 0.5 percent in February after a 0.9 percent January increase, excluding defense, they were up 2.5 percent in February. On the price front, after a decline of 0.7 percent in January, producer prices fell a seasonally adjusted 1.6 percent in February, the largest monthly decline since this data has been collected. After rising by 0.3 percent in January, consumer prices fell in February by a seasonally adjusted 0.4 percent, which was the first decline of this magnitude since 1953.

In Germany, the current account surplus increased to a provisional DM 6.9 billion in February from a revised DM 4.5 billion in January and DM 2.8 billion in February of last year. In the same three months, the merchandise trade surplus was DM 6.8 billion, DM 7.0 billion (revised), and DM 4.7 billion, respectively. Following a revised 2.7 percent increase in January, seasonally adjusted industrial production fell a provisional 1.1 percent in February for a 3.8 percent year-on-year rise. The unemployment rate (unadjusted) fell to 9.8 percent in March from 10.4 percent in February and 10.0 percent a year earlier. All the recent price data showed declines in inflation. Import prices declined very sharply, falling by 3.3 percent in February and 14.3 percent year-on-year. Producer prices fell 0.5 percent in February and by 0.8 percent over the year, the first year-on-year decline in producer prices since 1967. The cost of living index fell by 0.2 percent in March and was little changed year-on-year.

In France, the seasonally adjusted current account switched to a F 6.1 billion surplus in the fourth quarter of 1985 from deficits of F 34 million in the third quarter and F 1.5 billion in the fourth quarter of 1984. Industrial production fell 0.75 percent in January but rose 3.1 percent year-on-year, and the number of persons unemployed fell a seasonally adjusted 0.4 percent in February and 2.1 percent year-on-year. Inflation remained subdued, with retail prices falling by 0.2 percent in February, the first monthly price decline since 1966; year-on-year retail prices rose 3.4 percent.

In Belgium, the merchandise trade balance was in deficit by BF 14.22 billion in January compared with a surplus of BF 2.62 billion in the previous month and a deficit of BF 27.20 billion a year earlier. The industrial production index, which excludes construction and is adjusted for the number of working days, fell 0.1 percent in December but rose 2.4 percent year-on-year. The unemployment rate dropped to 12 percent in March from 12.4 percent in February and 13.8 percent in March of last year. Consumer prices fell 0.2 percent in March but rose 1.5 percent year-on-year.

In the Netherlands, the seasonally adjusted current account surplus was f. 4.05 billion (provisional) in the fourth quarter compared with f. 4.90 billion in the third quarter and f. 3.70 billion in the fourth quarter of 1984. For all of 1985, the current account surplus was f. 18.31 billion, up from f. 16.61 billion in 1984. The merchandise trade surplus was f. 1.6 billion in January compared with f. 1.9 billion in the previous month and f. 900 million a year earlier. The number of persons unemployed, seasonally adjusted, fell 0.3 percent in March and 6.2 percent from a year earlier. The cost-of-living index rose 0.7 percent during the year to mid-March after a 1.2 percent increase during the year to mid-February.

In Denmark, the merchandise trade deficit was DKr 1.73 billion in February, virtually unchanged from the previous month but wider than the DKr 959 million recorded a year earlier. The seasonally adjusted unemployment rate rose to 10 percent in January from 8.4 percent in December but was down from 11.6 percent in January 1985. Consumer prices were unchanged in February but up 2.1 percent from a year earlier, while wholesale prices fell 2.0 percent in February and 1.8 percent year-on-year.

In Ireland, consumer prices rose 4.6 percent in the year to mid-February, down from a 4.9 percent increase in the year to mid-November.

In Italy, the merchandise trade deficit contracted to Lit 1.5 trillion in February from Lit 3.1 trillion in January and in February 1985. Industrial production rose (seasonally unadjusted) 11.4 percent in January and 2.2 percent year-on-year. Wholesale prices rose 0.3 percent in January and 4.8 percent year-on-year, while consumer prices rose 0.4 percent in March and 7.2 percent year-on-year.

In the United Kingdom, the seasonally adjusted trade balance posted a deficit of £338 million in February after recording a £140 million surplus in January. In the same two months, the current account registered surpluses of £262 million and £1.14 billion, respectively. Industrial production rose 1.6 percent in January for a 3.1 percent year-on-year rise, while the volume of retail sales rose a seasonally adjusted 0.1 percent in February after a revised decline of 0.3 percent in January. The index of longer leading economic indicators rose 1.3 percent in February and 1.4 percent year-on-year. The Public Sector Borrowing Requirement (PSBR) showed a provisional net repayment of £0.4 billion in February after net repayments of £4.5 billion in January and £69 million in February of last year. For the first eleven months of the 1985/86 fiscal year the PSBR was £2.8 billion, down from £7.7 billion in the corresponding period of the previous fiscal year. Average earnings rose 8.3 percent in the year to January after an 8.9 percent increase in the year to December, while consumer prices rose 0.4 percent in February and 5.1 percent year-on-year.

In Switzerland, the merchandise trade deficit was Sw F 728.9 million in February, narrower than the Sw F 851.8 million recorded in January but wider than the Sw F 664.8 million recorded a year earlier. The unemployment rate was 1.0 percent in February, unchanged from January and down from 1.2 percent a year earlier. Real GDP rose 4.0 percent at an annual rate in the fourth quarter after a 3.2 percent increase in the previous quarter, and in 1985 it rose 3.2 percent compared with 2.1 percent growth in 1984. Wholesale prices fell 0.6 percent in February and 2.6 percent year-on-year, while consumer prices rose 0.1 percent in March and 0.9 percent year-on-year.

In Japan, the current account surplus widened to $3.94 billion in February from $1.88 billion in January and $2.53 billion a year earlier. The customs-cleared trade surplus rose to a record $6.66 billion in March from $3.90 billion in the previous month and $3.18 billion a year earlier. Real GNP growth was 7.1 percent at an annual rate in the fourth quarter, up from a revised growth rate of 0.7 percent in the third quarter, while industrial production fell a seasonally adjusted and preliminary 0.1 percent in February but was 0.8 percent above the level a year earlier. The unemployment rate, seasonally adjusted, edged down to 2.6 percent in February from 2.7 percent in January and 2.8 percent in February of last year. Wholesale prices dropped a record 1.5 percent in February to mark the twelfth consecutive monthly decline, and fell 6.3 percent year-on-year. The consumer price index also fell in February, by 0.4 percent, but rose 1.8 percent year-on-year.

In Canada, the trade surplus contracted to Can$206 million in February from Can$1.0 billion in the previous month and Can$1.7 billion a year earlier. Real GDP, seasonally adjusted, was unchanged in January following a 0.3 percent December increase, and was 5.1 percent higher year-on-year. The seasonally adjusted unemployment rate fell to 9.6 percent in March from 9.8 percent in February and 11.1 percent a year earlier. Leading indicators posted their seventh consecutive monthly gain, rising by 1.4 percent in November. Canada's budget deficit was Can$2.29 billion in December, down from Can$2.69 billion a year earlier, and for the first nine months of the current fiscal year the deficit totalled Can$24.41 billion compared with Can$25.04 billion in the same period of the previous fiscal year. Consumer prices rose 0.4 percent in February and 4.1 percent year-on-year.

In Austria, the current account surplus narrowed to S 3.1 billion in January from S 3.5 billion in the previous month and S 10.2 billion a year earlier. Real GDP grew 2.9 percent in 1985 after 2.0 percent growth in 1984, and the unemployment rate declined to 6.1 percent in March from 6.9 percent in February, but was above the 5.9 percent figure recorded in March 1985. Consumer prices rose 0.1 percent in February and 2.5 percent year-on-year.

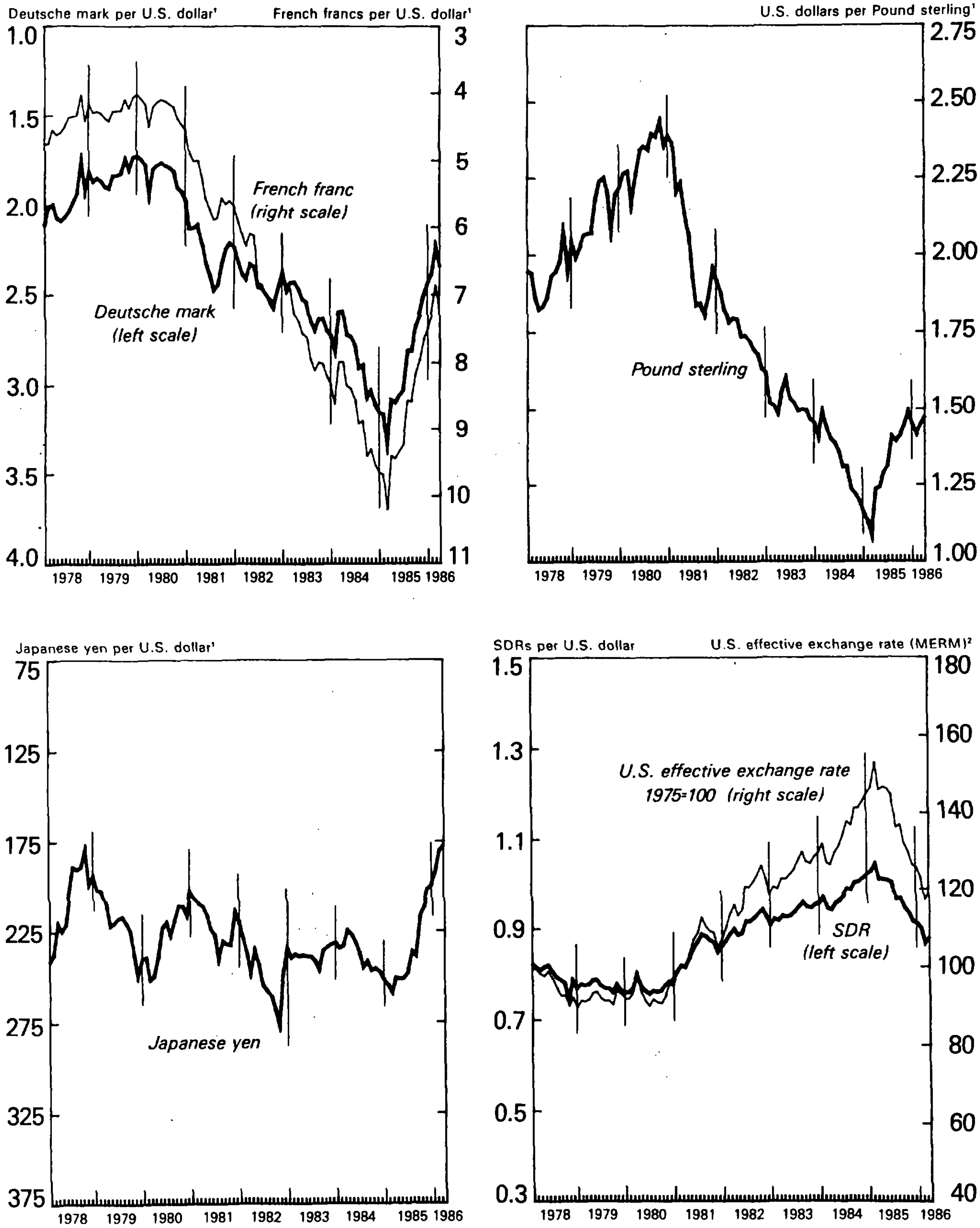
In Norway, the merchandise trade balance switched to a NKr 339 million deficit in February from a NKr 2.10 billion surplus in January and a NKr 2.33 billion surplus in February of last year. The unemployment rate dropped to 2.3 percent in March from 2.5 percent in February and 3.6 percent a year earlier. Wholesale prices fell 0.7 percent in February but rose 2.2 percent year-on-year, while consumer prices rose 0.6 percent in March and 5.5 percent year-on-year.

In Sweden, the merchandise trade surplus expanded to SKr 3.5 billion in February from SKr 1.3 billion in January and SKr 0.5 billion a year earlier. The current account posted a deficit of SKr 900 million in January compared with a SKr 200 million surplus in December and a SKr 2.0 billion deficit in January 1985. Industrial production rose 4.6 percent in January following a 5.9 percent December decline for a 2.1 percent year-on-year increase. The unemployment rate was 3.0 percent in March, up from 2.8 percent in February but unchanged from a year earlier. Consumer prices rose 0.1 percent in February after a 1.1 percent increase in the previous month.

CHART 1

SPOT EXCHANGE RATES 1978-1986

(end of month)



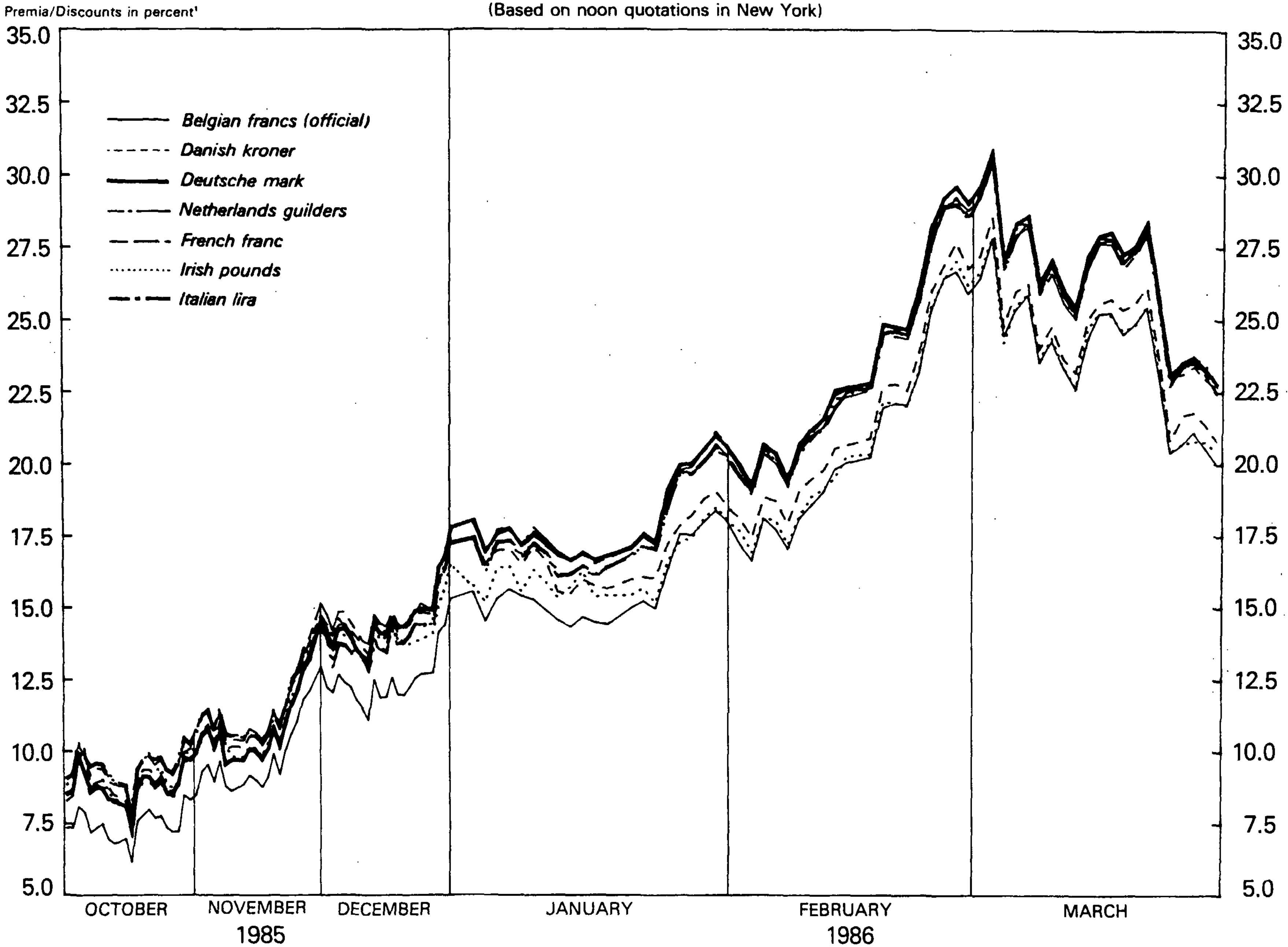
[1]New York noon quotations.

[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)

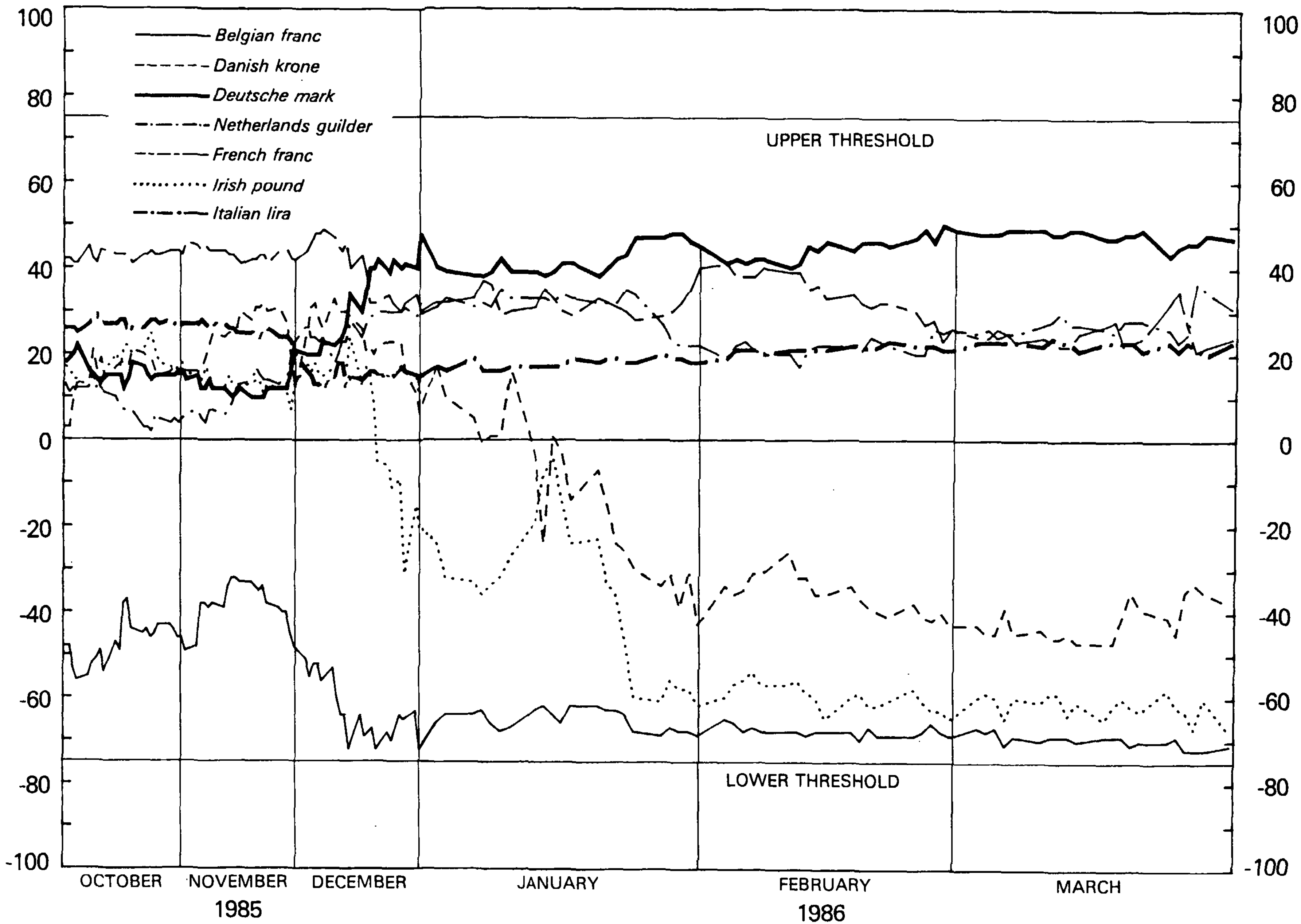


[1]Premia/Discounts over declared ECU central rates converted to U.S. dollar terms on the basis of 1 ECU=$0.777846 effective July 22, 1985.

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)

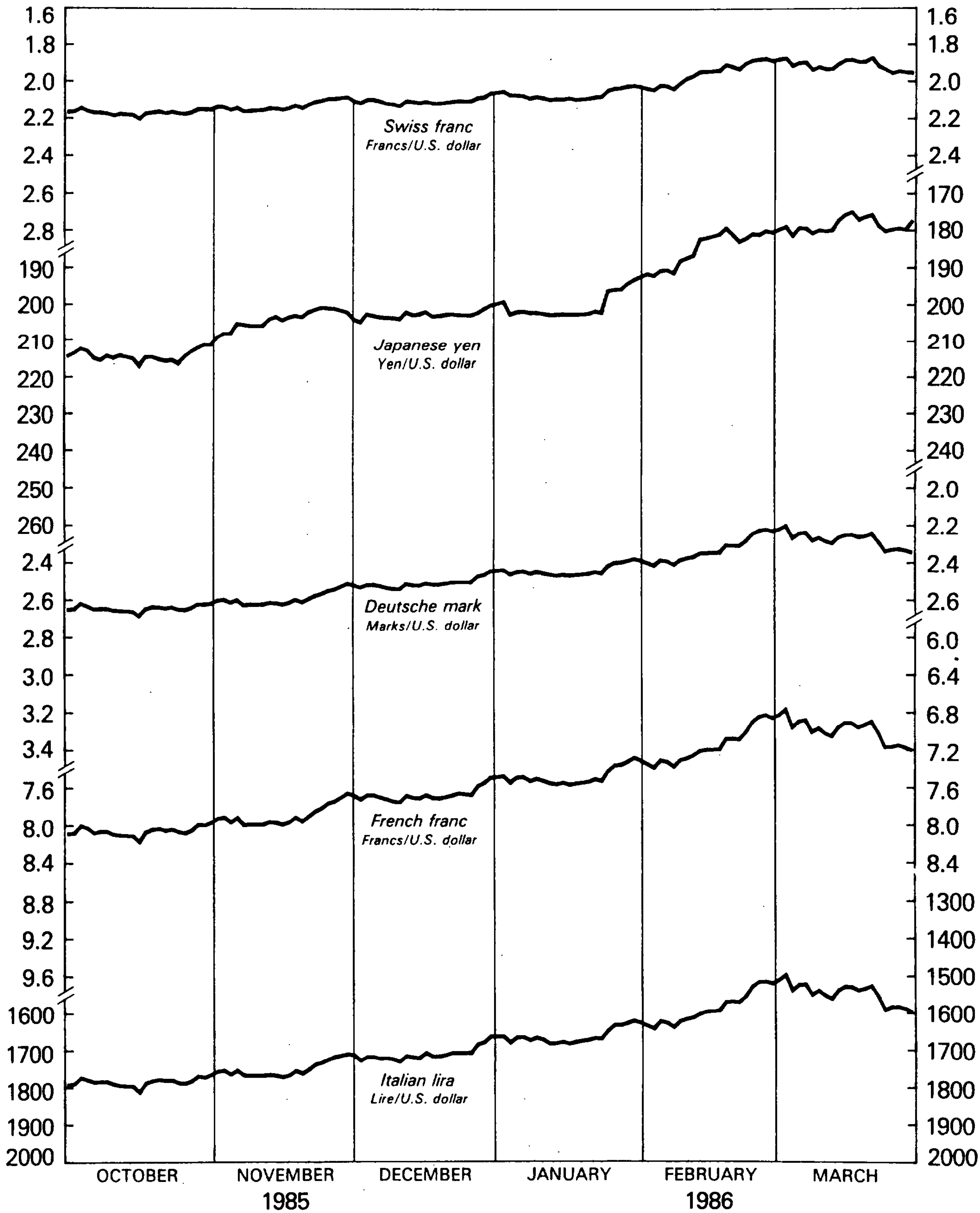


CHART 5

SPOT EXCHANGE RATES

(Noon quotations in New York)

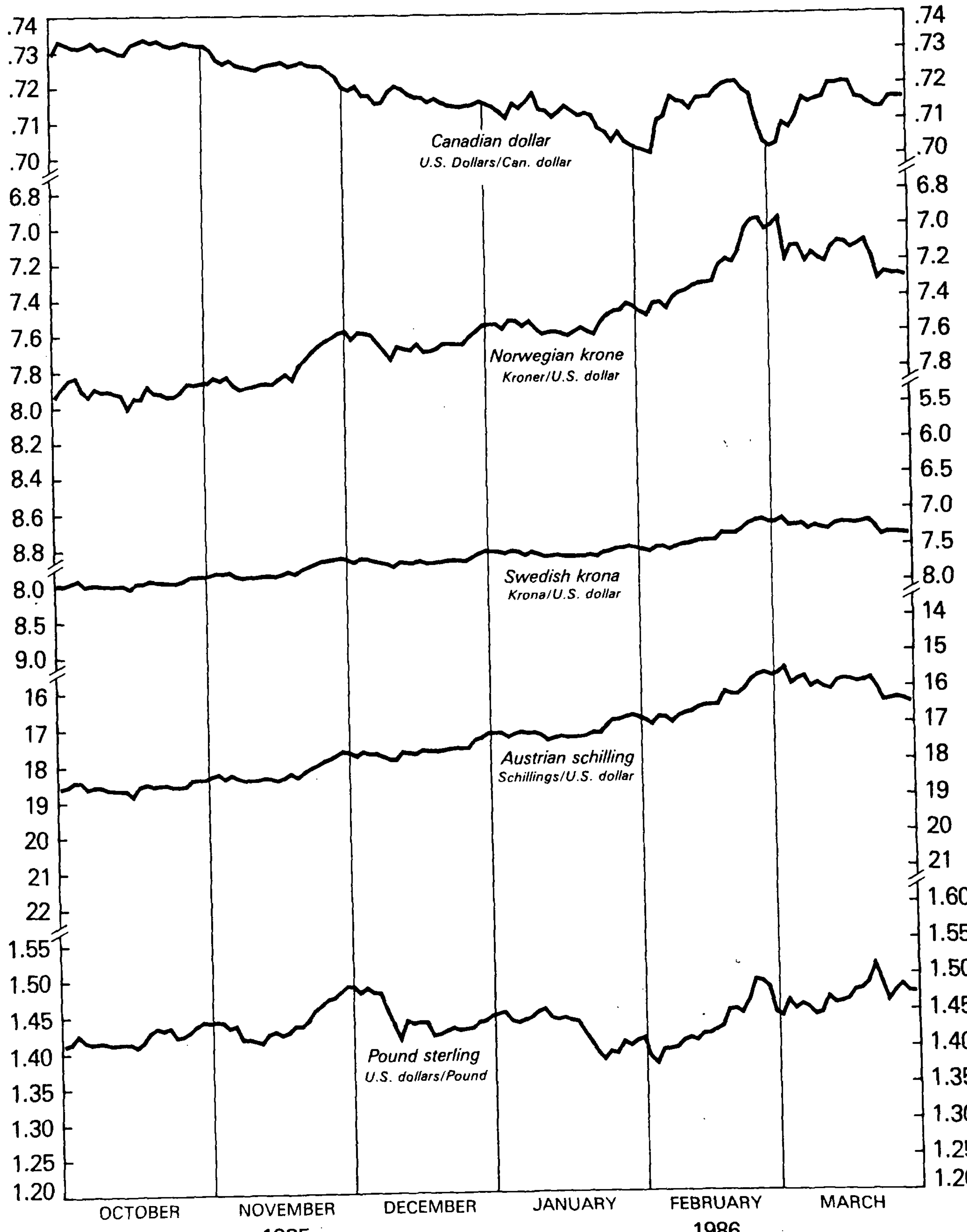


CHART 6

INDEXES OF EXCHANGE RATES OF FIVE MAJOR CURRENCIES AGAINST THE SDR

JUNE 1974 - MARCH 1986

(June 28, 1974=100)

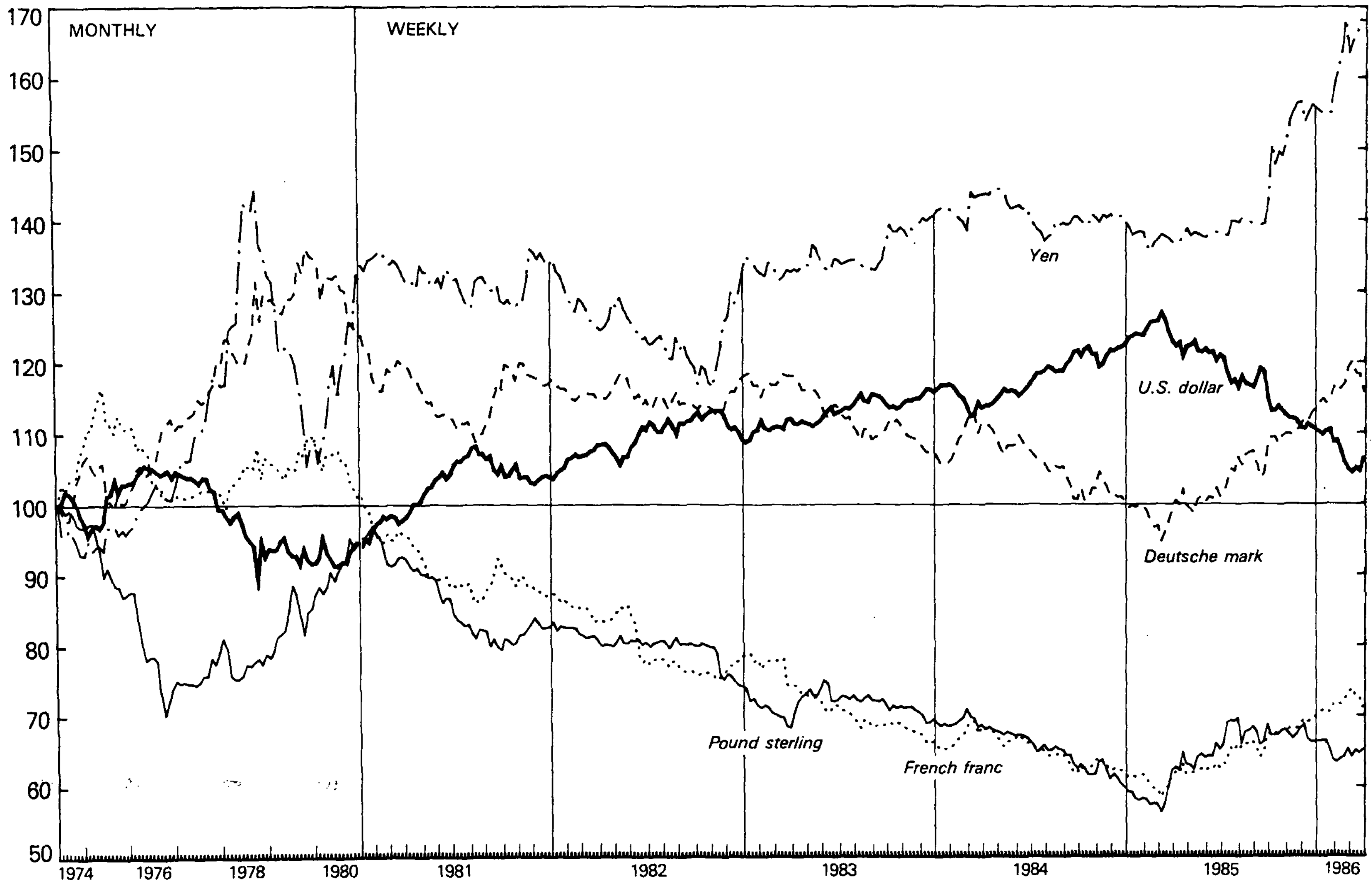


CHART 7

SHORT-TERM MONEY MARKET RATES

(Percent per annum)

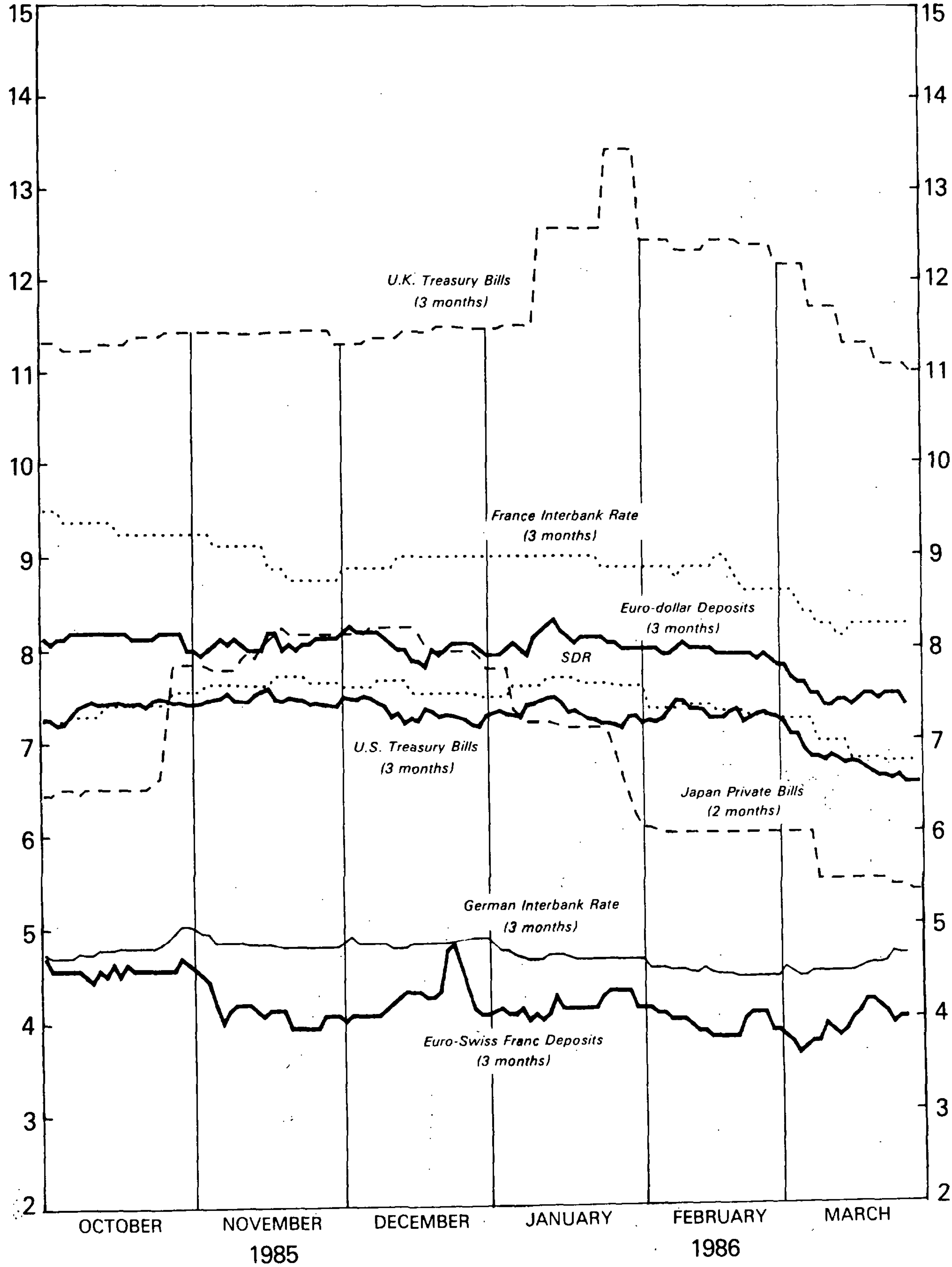


CHART 8

THREE-MONTH FORWARD RATES

Margins from Spot Rates based on noon quotations in New York

(Percent per annum)

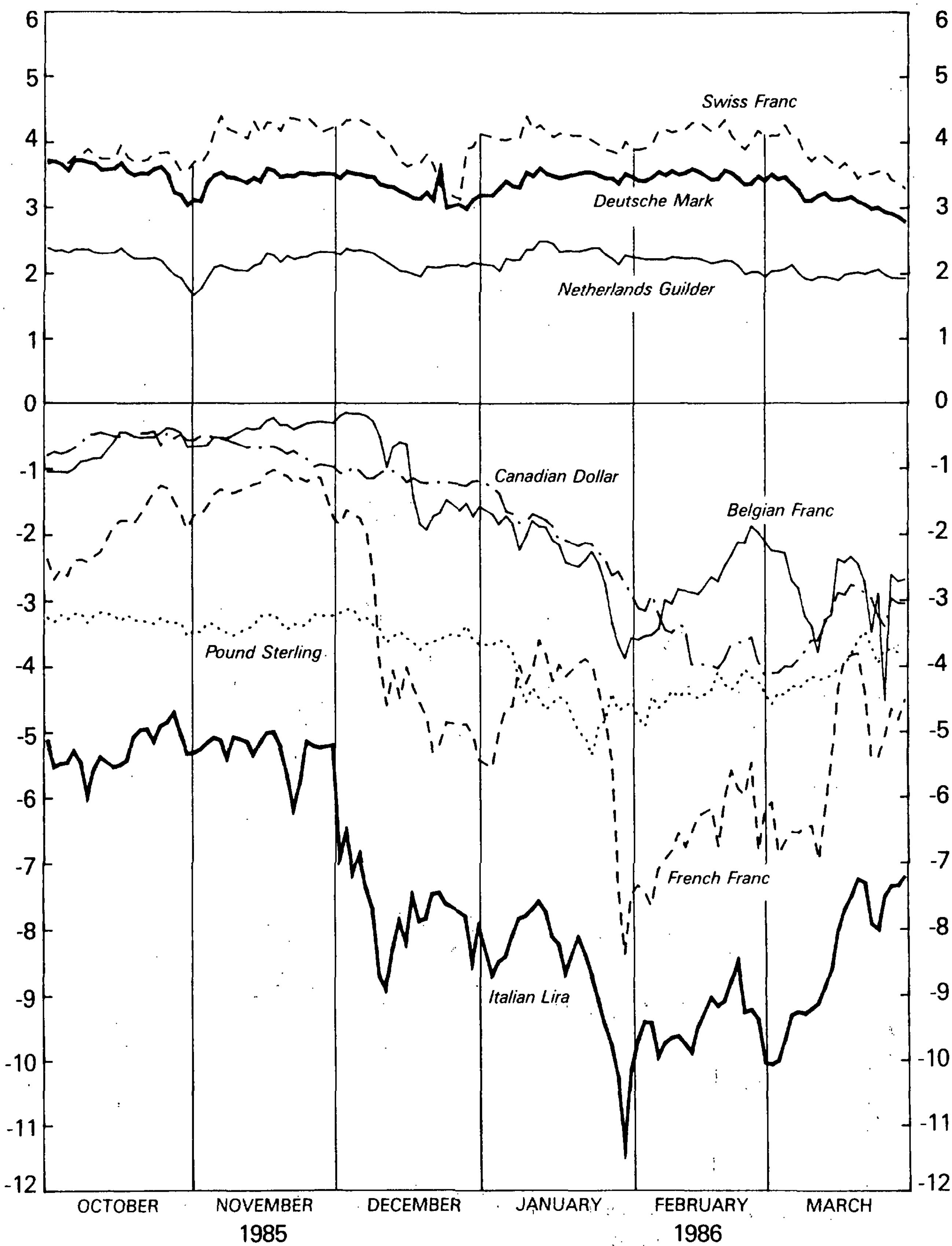


CHART 9

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)

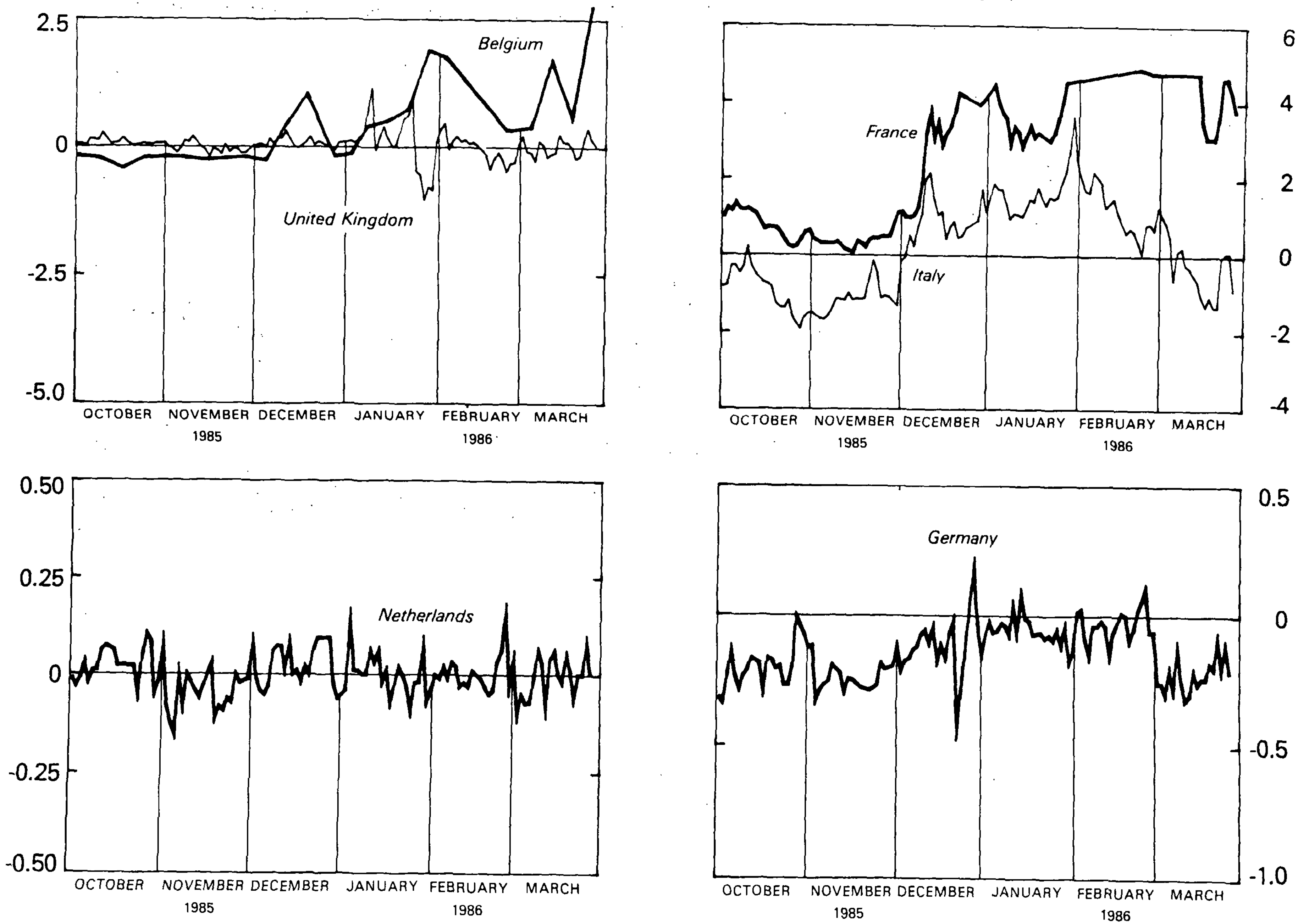
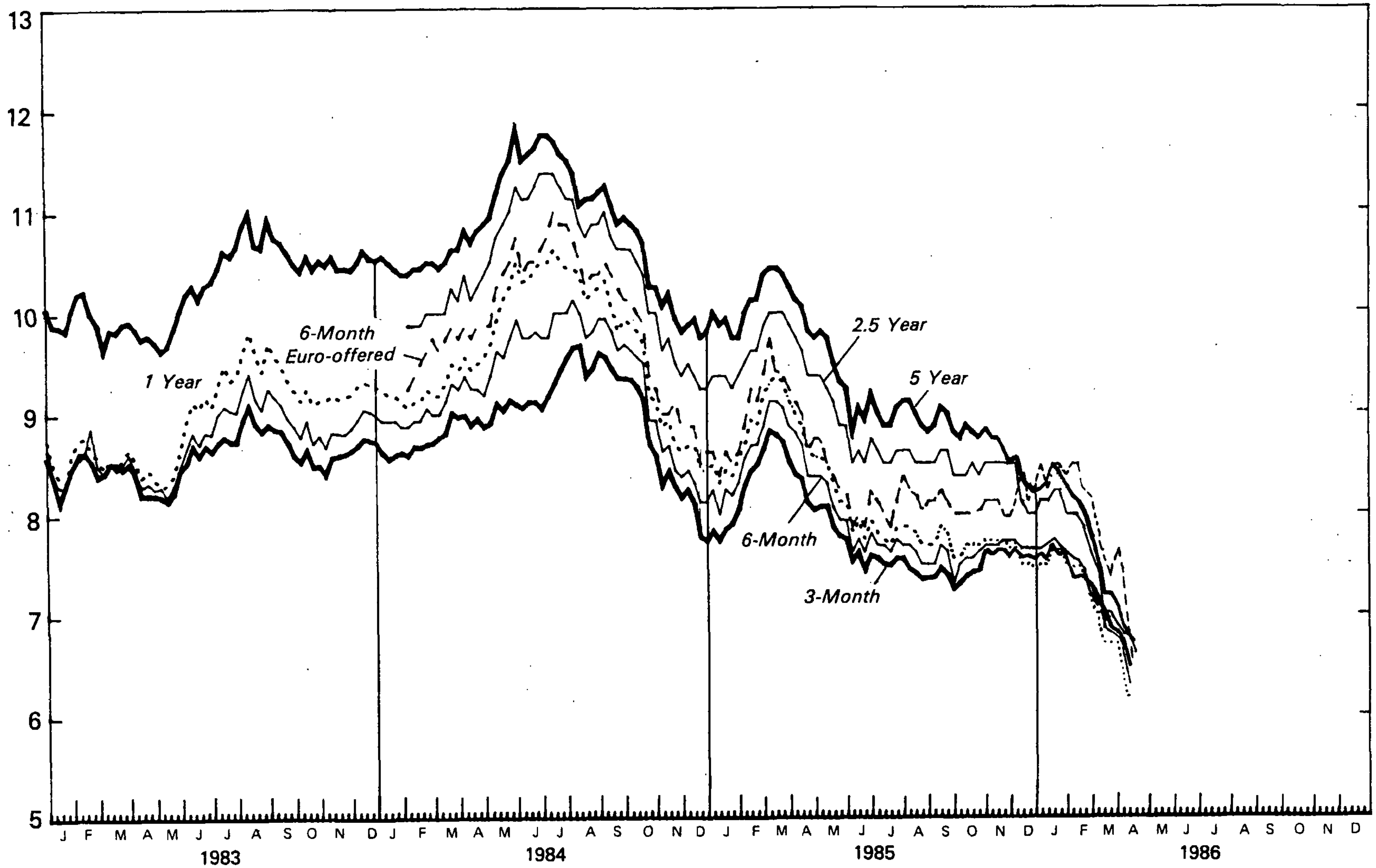


CHART 10

INTEREST RATES ON FUND-RELATED SDR ASSETS

(In percent per annum; weekly Wednesday observations)



Foreign Exchange Rates, February 1986 - March 1986 1/

	February				March			
	5	12	19	26	5	12	19	26
Austrian schilling	16.7850	16.6500	16.1250	15.6650	15.9150	16.0250	15.8700	16.3650
Belgian franc								
Official	48.805	48.430	47.275	45.585	46.320	46.735	46.300	47.755
Financial	49.195	49.045	47.775	45.825	46.625	47.325	46.915	48.785
Canadian dollars	0.70053	0.71492	0.71847	0.71690	0.70884	0.71544	0.72007	0.71314
Danish kroner	8.79400	8.72500	8.52000	8.23600	8.37750	8.45150	8.33750	8.58750
Deutsche mark	2.38550	2.36740	2.30550	2.22700	2.26600	2.28350	2.26100	2.32950
French francs	7.31150	7.26050	7.08500	6.84850	6.96250	7.02800	6.96150	7.16750
Irish pounds	1.26800	1.27850	1.31100	1.35675	1.33325	1.32400	1.33770	1.29575
Italian lire	1623.000	1612.500	1570.000	1516.500	1539.000	1553.000	1539.000	1583.500
Japanese yen	190.600	186.670	179.300	181.100	181.375	180.150	177.050	179.750
Netherlands guilder	2.69425	2.67375	2.60450	2.51600	2.55850	2.57750	2.55200	2.62900
Norwegian kroner	7.43800	7.36500	7.22250	6.97300	7.19500	7.19500	7.13500	7.27500
Pounds sterling	1.39625	1.41000	1.45075	1.48950	1.45200	1.46750	1.47950	1.47550
Swedish kronor	7.51600	7.47000	7.33500	7.16750	7.24000	7.27600	7.21500	7.34500
Swiss francs	2.01850	1.96825	1.90650	1.87950	1.91450	1.93250	1.89450	1.95550

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 June 1986 2/

	Striking price						
	42	43	44	45	46	47	48
End-of-month observations:							
	(Call option premiums)						
January	1.42	1.02	0.64	--	--	--	--
February	3.65	3.01	2.25	1.69	1.30	--	--
March	--	1.18	0.65	0.51	0.27	0.20	0.13
	(Put option premiums)						
January	0.96	1.44	--	--	--	--	--
February	0.32	0.60	0.88	1.26	1.80	--	--
March	0.76	1.30	--	2.59	--	--	--

II. Japanese Yen Contracts Expiring in June 1986 3/

	Striking price					
	54	55	56	57	58	59
End-of-month observations:						
	(Call option premiums)					
January	--	--	--	--	--	--
February	2.80	1.82	1.48	1.00	0.83	--
March	--	--	1.47	0.80	--	0.38
	(Put option premiums)					
January	--	--	--	--	--	--
February	0.56	1.16	1.40	--	--	--
March	--	0.50	--	1.70	--	--

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.

3/ 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															
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
Mar	6.76	4.61	11.48	8.42	5.59	6.89	7.50	4.46	11.76	13.27	5.53	3.92	7.54	9.10	7.46
1985 Week ending:															
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
Mar 7	7.00	4.55	12.08	8.62	6.00	7.12	7.63	4.38	12.20	14.58	5.64	3.73	7.70	9.50	7.66
14	6.79	4.56	11.63	8.34	5.49	6.87	7.43	4.40	11.85	14.09	5.51	3.85	7.48	9.07	7.40
21	6.69	4.61	11.26	8.36	5.49	6.80	7.45	4.50	11.49	11.48	5.52	4.11	7.48	9.00	7.46
28	6.58	4.73	11.06	8.36	5.42	6.77	7.47	4.60	11.42	12.85	5.46	4.00	7.49	9.00	7.30

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.