

FEFM/99/190

August 16, 1999

To: Members of the Executive Board  
From: The Secretary  
Subject: **Daily Report on Foreign Exchange and Financial Markets**

The attached daily report on Foreign Exchange and Financial Markets is circulated for the information of Executive Directors.

Att: (1)



# INTERNATIONAL MONETARY FUND

Treasurer's Department

## Daily Report on Foreign Exchange and Financial Markets

August 16, 1999

The **U.S. dollar firmed** against most other major currencies, except the Japanese yen, in the period from noon Friday to noon today in London. Stock markets in the United States rose sharply as lower-than-expected PPI data calmed concerns of possible interest rate hikes later this month. The **Japanese yen firmed** 0.2 percent to ¥114.7 per dollar, boosted overnight by a rally in Japanese equities ignited by an upward revision to Japan's June industrial output (page 3). The Nikkei-225 stock index in Tokyo rose 2.2 percent.

The **euro fell** to \$1.058 per euro. The **pound sterling was also down** 0.4 percent to \$1.604 per pound. Stocks in European leading bourses were mostly higher, except in the United Kingdom which had fallen 0.6 percent by midday.

**In the emerging markets of Europe, currencies were narrowly mixed** against the U.S. dollar. The **Russian ruble edged up** 0.4 percent to Rub 24.86 per dollar, while the stock prices in Moscow were also higher at midday. Russian acting Prime Minister Vladimir Putin told the lower house of parliament that there were worrying signs in the economy, including rising petrol prices and troubles with the harvest, but he would continue the previous government's reforms. The **Czech koruna**, the **Hungarian forint**, and the **Turkish lira** were lower in line with the weaker euro.

**In Latin America, currencies were mostly stronger** against the U.S. dollar. The **Mexican peso** and the **Brazilian real ended higher** against the dollar following the release of benign U.S. inflation data. The **Colombian peso firmed** against the dollar on reported dollar sales, despite the cut in the Republic Bank of Colombia's benchmark DTF interest rate by 12 basis points to 19.13 percent on Friday. The **Venezuelan bolívar closed weaker** for a fourth consecutive day despite dollar sales by the Central Bank of Venezuela. Equity markets across the region rose solidly.

**In the Asian emerging markets, currencies were mostly higher** against the U.S. dollar in line with the firmer yen. The **Indonesian rupiah recovered partly** from its recent losses and closed 4.7 percent higher against the dollar following comments by Indonesia's President B.J. Habibie on Monday that the crisis-hit economy was over the worst and that a stable rupiah was crucial to solve the country's problems. The **Korean won strengthened** 0.4 percent against the dollar as offshore investors sold dollars after creditors announced a detailed plan to dismantle the nation's second-largest conglomerate Daewoo Group. The newspaper of China's ruling party said on Saturday that a devaluation of the renminbi was not justified now but a move in the future was possible. Asian stock markets were mixed, with a sharp rise in Taiwan POC on increasing inflows of foreign investment.

**Money market rates were mostly steady, except in the United States which were lower, while bond yields were mixed.** The **SDR interest rate and rate of remuneration are 3.36 percent** for the week beginning August 16, 1999 compared with 3.38 percent for the previous week. The **rate of charge on members' use of Fund credit is 3.82 percent.** The **price of gold eased** 0.6 percent to \$259.25 p.f.o. at the morning fixing in London. The *Financial Times* reports today that some G-10 central banks have warned the Bank of England that the U.K. gold sales could cause instability in the gold market and lead to a wider debate about gold's value as a reserve asset, and may put pressure on other central banks to sell gold.

Exchange Rates Against the U.S. Dollar and Gold Price

August 16, 1999

	London Noon Quotations 1/	Appreciation (+) or depreciation (-) from (in percent) 2/			
		Yesterday	A week ago	A month ago	A year ago
<b>Main Currencies</b>					
Euro	1.058	-0.8	-1.1	3.8	N.A.
Japanese Yen	114.7	0.2	0.6	5.2	26.3
Pound Sterling	1.606	-0.4	0.1	2.6	-1.1
<b>ERM-2 Currencies</b>					
Danish Kroner	7.030	-0.8	-1.0	3.8	-3.0
Greek Drachma	308.6	-0.8	-0.9	3.1	-2.7
<b>Selected Other Currencies</b>					
Australian Dollar	0.6514	-0.1	-0.1	-1.3	9.0
Canadian Dollar	0.6755	0.2	1.4	0.1	2.4
Norwegian Kroner	7.779	-0.4	-0.5	2.6	-2.1
Swedish Kronor	8.285	-0.5	-0.9	3.5	-2.1
Swiss Franc	1.515	-0.9	-1.2	4.0	-1.5
<b>Emerging Market Currencies</b>					
Indian Rupee	43.42	0.0	0.0	-0.4	-0.7
Indonesian Rupiah	7570	4.7	-7.3	-11.2	67.4
Korean Won	1203	0.4	-0.3	-1.8	10.1
Philippine Peso	39.45	-0.3	-0.7	-2.8	9.1
Thai Baht	37.92	0.1	-0.4	-2.0	10.2
Czech Koruna	34.28	-0.7	-0.7	5.0	-4.3
Hungarian Forint	239.6	-0.7	-1.0	2.0	-7.3
Polish Zloty	3.948	-0.5	0.2	-1.4	-11.2
Russian Ruble 3/	24.86	0.1	1.7	-2.2	-74.6
Israeli New Sheqel	4.188	0.2	-0.4	-2.6	-11.9
Turkish Lira	438570	-0.9	-1.4	-1.8	-37.1
South African Rand	6.110	0.0	1.0	0.4	3.1
Brazilian Real	1.870	0.4	-1.6	-2.9	-37.4
Mexican Peso	9.365	0.5	1.5	-0.2	-2.1
<b>Composite and Selected Cross Rates</b>					
U.S. Dollar/SDR	1.36001	0.3	0.2	-2.2	-2.6
Japanese Yen/Euro	121.3	1.0	1.6	1.4	N.A.
Euro/Pound Sterling	1.519	-0.5	-1.1	1.2	N.A.
<b>Gold - Morning Fixing 4/</b>					
	<b>Today</b>	<b>percent change</b>			
London	259.25	-0.6	1.1	1.8	-9.0

1/ Expressed in terms of currency units per U.S. dollar, except for the euro, pound sterling, the Canadian and Australian dollars, and the SDR, which are expressed in U.S. dollars per currency unit. The Indian rupee, Indonesian rupiah, Korean won, Philippine peso, and Thai baht refer to closing quotations in the domestic markets. The Czech koruna, Hungarian forint, Polish zloty, Israeli new sheqel, South African rand, Mexican peso, and Turkish lira refer to quotations near London noon time. The Brazilian real refers to the opening quotation in the domestic market.

2/ Percentage changes are calculated in foreign currency terms.

3/ Russian ruble exchange rate is a Moscow Interbank Currency Exchange quote.

4/ Expressed in U.S. dollars per fine ounce.

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Monetary Conditions  
August 16, 1999

	Interest rates (Percent per annum)			
	<u>Today</u>	<u>Change from Friday</u>	<u>Average for Q2 1999</u>	<u>Average for Q3 1999</u>
<b>United States (opening)</b>				
Discount rate	4.50	0.00	4.50	4.50
Federal funds	5.28	0.28	4.83	5.04
Three-month Tbill	4.67	-0.03	4.57	4.71
Ten-year Tbond	6.00	0.00	5.52	5.87
Thirty-year Tbond	6.12	0.00	5.79	6.03
<b>Japan (closing)</b>				
Discount rate	0.50	0.00	0.50	0.50
Key overnight call rate	0.03	0.00	0.03	0.03
Three-month CD	0.12	0.00	0.14	0.13
Ten-year benchmark bond	1.93	0.08	1.53	1.75
<p>June's industrial output growth was revised upward to 3.2 percent month on month from a preliminary reading of 3.0 percent. Sales at Japanese convenience stores rose 5.1 percent in July from a year earlier to ¥543.71 billion.</p>				
<b>Euro Zone (midmorning)</b>				
Deposit rate	1.50	0.00	1.55	1.50
Repo rate	2.50	0.00	2.55	2.50
Lending rate	3.50	0.00	3.59	3.50
Three-month Euribor (Brussels)	2.70	0.00	2.63	2.69
Three-month Eurolibor (London)	2.70	0.00	2.63	2.68
German ten-year bond	4.91	-0.04	4.09	4.78
French ten-year bond	5.05	-0.03	4.21	4.91
<p>German wholesale prices in July were unchanged compared with June and fell 1.1 percent versus one year ago.</p>				
<b>United Kingdom (midmorning)</b>				
Repo rate	5.00	0.00	5.21	5.00
Three-month interbank	5.27	-0.01	5.29	5.21
Ten-year benchmark gilt	5.40	0.05	4.84	5.33
<p>For the week beginning: <u>8/16/99</u>      <u>Change from previous week</u></p>				
<b>SDR interest rate</b>	<b>3.36</b>	<b>-0.02</b>	<b>3.31</b>	<b>3.35</b>

# Global Stock Market Indices

August 16, 1999

ASIA (Close to close)	August 16, 1999	August 13, 1999	Percentage Change	Percentage Change In US\$ Terms 1/
Tokyo: Nikkei 225	17826.0	17435.2	2.2	2.4
Tokyo: Nikkei 300	289.2	283.9	1.8	2.0
Bangkok: Composite SET	418.1	423.8	-1.3	-1.3
Hong Kong	12894.8	12608.2	2.3	2.3
Jakarta	560.5	557.7	0.5	5.2
Kuala Lumpur	766.4	772.9	-0.8	-0.8
Manila	2175.3	2171.0	0.2	-0.1
Seoul	907.3	917.5	-1.1	-0.7
Singapore	1998.6	1969.7	1.5	1.4
Australia: All Ordinaries Index	3017.9	2958.8	2.0	1.9

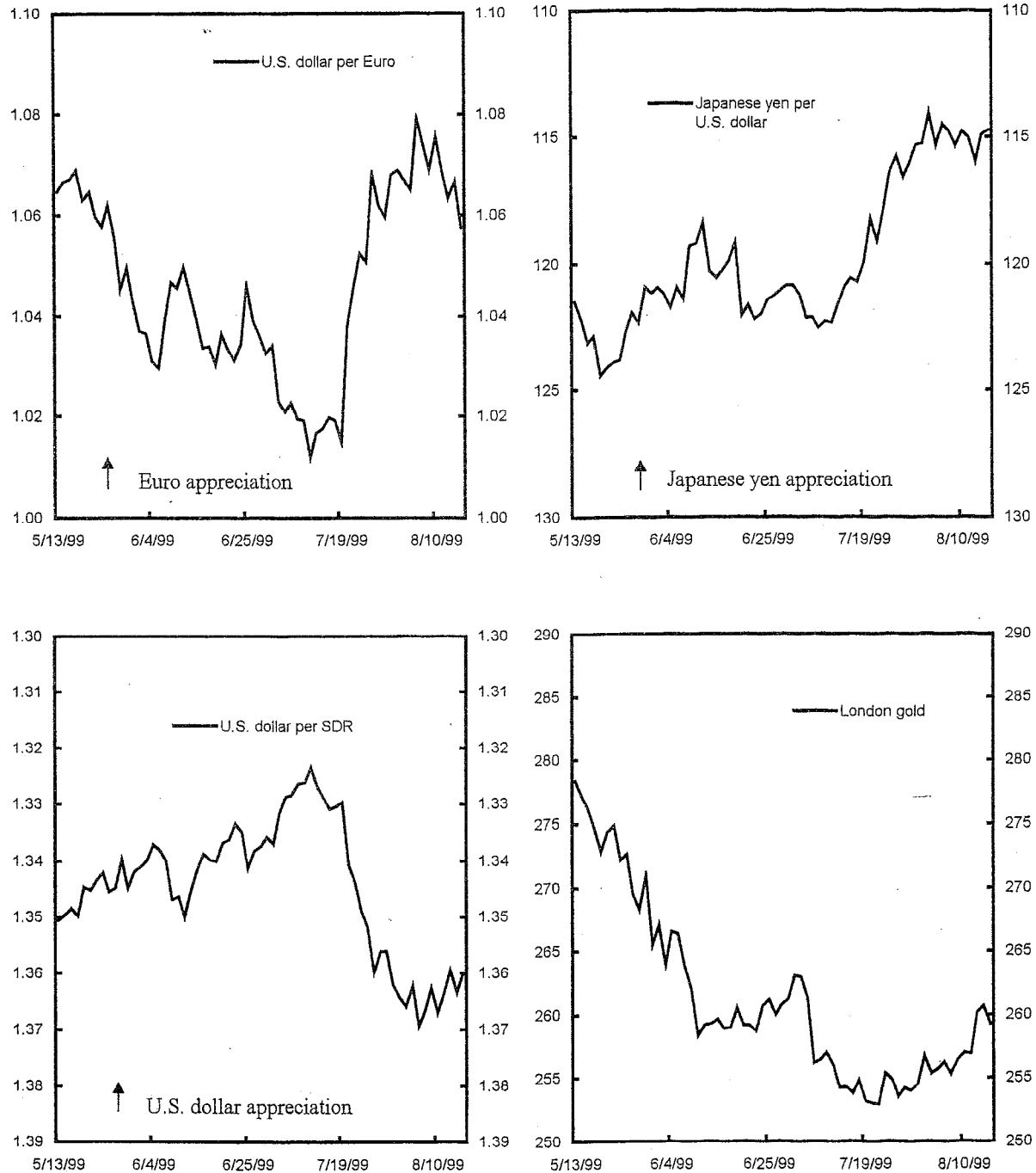
EUROPE (Close to midday)	August 16, 1999	August 13, 1999	Percentage Change	Percentage Change In US\$ Terms 1/
London: FTSE 100	6207.7	6245.1	-0.6	-1.0
Paris: CAC-40	4447.2	4434.3	0.3	-0.6
Frankfurt: DAX	5240.4	5219.4	0.4	-0.4
Milan: Mibtel	23235.0	23183.0	0.2	-0.6
Athens: General Index	4884.2	4884.2	0.0	-0.8
Moscow: RTS	104.0	103.1	0.8	0.9

AFRICA (Close to midday)	August 16, 1999	August 13, 1999	Percentage Change	Percentage Change In US\$ Terms 1/
Johannesburg: All-share	7160.4	7177.1	-0.2	-0.3

WESTERN HEMISPHERE (Close to close)	August 13, 1999	August 12, 1999	Percentage Change	Percentage Change In US\$ Terms 1/
New York: DJIA	10973.7	10789.4	1.7	1.7
U.S.: Nasdaq Comp.	2637.8	2549.5	3.5	3.5
Toronto: 300 Comp.	7006.2	6915.0	1.3	1.5
Mexico: IPC	5369.0	5217.5	2.9	3.4
Buenos Aires: MerVal	472.6	472.6	0.0	0.0
Sao Paulo: Bovespa	10181.0	10046.0	1.3	1.7
Santiago	127.4	127.1	0.2	0.2

1/ Based on exchange rates from page 2 where available, otherwise on exchange rate closings in domestic markets for Asian countries, and exchange rates as reported by Reuters for others.

Spot Exchange rates<sup>1/</sup> and Gold Price  
May 13, 1999 - August 16, 1999



1/ Based on London noon quotations. When London is closed, New York or Frankfurt quotations are used.