TREASURY AND FEDERAL RESERVE FOREIGN EXCHANGE OPERATIONS

July–September 1995

During the third quarter of 1995, the dollar rose 17.6 percent against the Japanese yen, 3.3 percent against the German mark, 2.1 percent against the Mexican peso, and 3.2 percent on a trade-weighted basis[1] against other G-10 currencies, but fell 2.3 percent against the Canadian dollar. The dollar's appreciation reflected relative changes in market participants' expectations of economic performance and of the associated monetary policy reactions of Japan, Germany, and the United States. Exchange market cooperation among the monetary authorities also contributed to the dollar's upward trend.

The U.S. monetary authorities intervened in the foreign exchange markets on three occasions during the quarter—July 7, August 2, and August 15—purchasing a total of $1.533 billion against the German mark and the Japanese yen. On each occasion, the U.S. monetary authorities' purchases of dollars were divided evenly between the Federal Reserve System and the U.S. Treasury Department's Exchange Stabilization Fund (ESF). In other operations, Mexico drew a total of $2.5 billion on its medium-term swap facility with the ESF. The ESF and the Federal Reserve also renewed short-term swap facilities for Mexico, each in the amount of $1 billion, for an additional 90 days.

CHANGING GLOBAL ECONOMIC OUTLOOK

While the dollar had previously risen from the historic lows against the yen and the mark recorded in March and April, many market participants still perceived the dollar as undervalued as the

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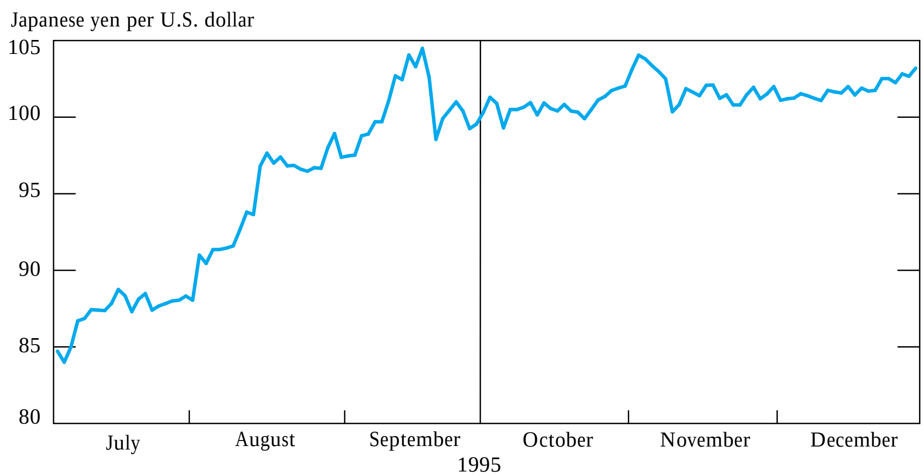
third quarter began but remained unsure of factors or conditions that might prompt a sustained upward trend in the dollar's value. Moreover, as suggested by implied yields on interest rate futures contracts, market participants had come to expect that the Federal Reserve would ease the Federal Funds rate by as much as 50 basis points by year-end and that the Bank of Japan might ease call rates again, but by a smaller increment of roughly 25 basis points. Meanwhile, market participants held disparate views on the outlook for Bundesbank monetary policy, with some expecting an interest rate easing while others expected no change. Expectations among market participants reflected concerns that the U.S. economy might slip into recession, that the Japanese economy was unlikely to react to further monetary easing, and that the German economy was expected to grow moderately.

Beginning in July, however, soon after the Federal Reserve's widely anticipated reduction in the Federal Funds rate by 25 basis points, different expectations about the three major industrial economies began to emerge. In Japan, monetary, fiscal, and regulatory actions undertaken by the Japanese authorities increased confidence among market participants that the authorities were prepared to address actively the economy's weakness. The perception of softness in the German economy became more pronounced. In the United States, however, fears of a material economic slowdown abated as the likelihood of achieving steady growth increased while hints of an economic

Chart 1
THE DOLLAR AGAINST THE JAPANESE YEN
Spot Exchange Rate



Source: Federal Reserve Bank of New York.

rebound emerged later in the quarter. Supported by these developments, the dollar rose 15.4 percent against the Japanese yen and 7.0 percent against the German mark by mid-August to reach ¥97.65 and DM 1.4775, respectively. From the historical lows of ¥79.75 and DM 1.3438 reached on April 19 and March 8, respectively, the dollar had risen 22.4 percent against the Japanese yen and 9.9 percent against the German mark.

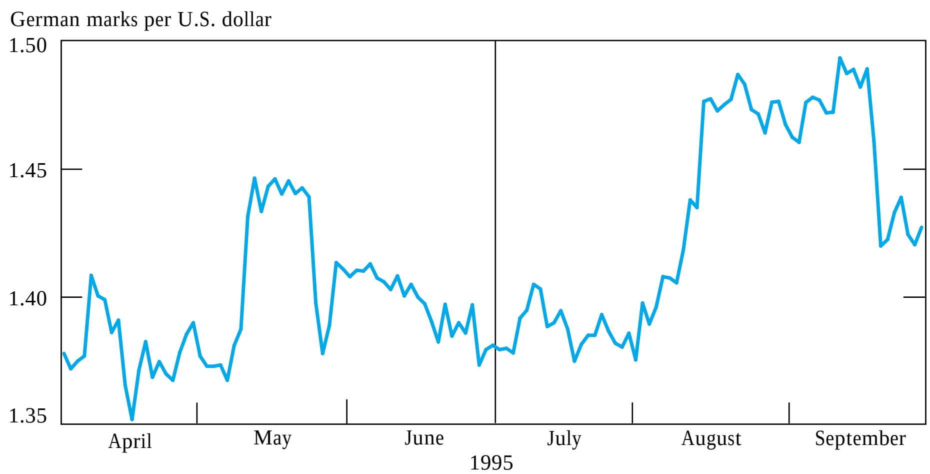
Beginning in mid-August, the mark's downward trend halted while the yen continued to depreciate against most other currencies. Then, in late September, the mark appreciated sharply against most other European currencies as concerns grew about Europe's political and fiscal prospects and the achievability of European monetary union (EMU) as scheduled. Doubts about France and Italy, in particular, prompted a general flight to German marks from French francs, Italian lira, and other European currencies where high unemployment and concerns about fiscal consolidation persisted.

This sharp rise in the mark affected the dollar negatively. Having reached a 15-month high of ¥104.68 and a seven-month high of DM 1.5045 by mid-September, the dollar gave up some of its gains in the third week of September as a combination of events initiated a bout of profit-taking on long-dollar positions. The dollar consolidated at the end of the month, however, and closed the quarter at ¥99.55 and DM 1.4273.

Chart 2

THE DOLLAR AGAINST THE GERMAN MARK

Spot Exchange Rate



Source: Federal Reserve Bank of New York.

JAPANESE POLICY MEASURES CONTRIBUTE TO THE DOLLAR'S RALLY

At the start of the quarter, market participants remained wary of further risks of deflation in Japan, associated deterioration in the Japanese financial system, and persistent, large trade and current account surpluses. Without immediately apparent remedies for these problems, market participants anticipated a renewed ascent in the Japanese yen.

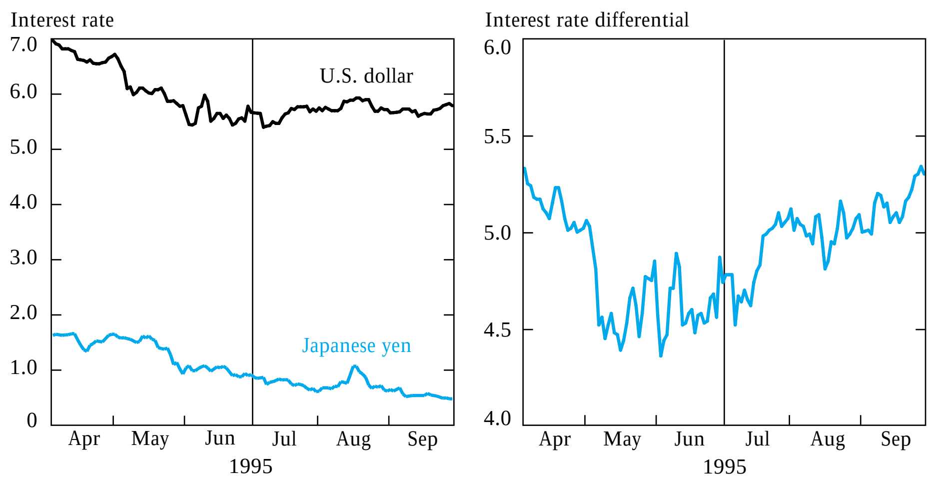
Several policy actions taken by the Japanese authorities in July and August, however, prompted a shift in expectations. These were perceived as enhancing the prospects for Japan's economic recovery and sparked a sharp rally in the dollar against the yen. On July 7, the Bank of Japan guided the overnight call money rate to a historic low of 0.75 percent, below the official discount rate (ODR). Market participants immediately began to anticipate a near-term reduction in the ODR, which would further reduce Japanese interest rates and weaken the yen.

On August 2, the Ministry of Finance announced a series of deregulatory measures aimed at encouraging Japanese investment abroad, including changes that would allow Japanese financial institutions to participate fully in longer-maturity, non-yen denominated loan facilities. The measures were well-received by market participants as deliberate steps to weaken the yen and address domestic deflationary pressures. While a surge in Japanese purchases of overseas assets was not

Chart 3

DIFFERENTIAL BETWEEN DOLLAR AND JAPANESE YEN SHORT-TERM INTEREST RATES

Implied by the Three-Month Eurodeposit Futures (December 1995 Contracts)



Source: Bloomberg L.P.

observed immediately after the announcement of the deregulatory package, market participants noted broad-based sales of yen against a variety of currencies and unwinding of currency hedges by Japanese investors on their existing foreign assets. On August 15, following the release of a lower than expected Japanese trade surplus, the dollar rose above ¥94.50 in Tokyo trading; for technical traders, the breach of this important level signified a change in the dollar's five-year downward trend against the yen.

In addition, confidence in Japan's resolve to deal with the problem of nonperforming loans and a weak financial sector increased following the authorities' swift response to the failure of three Japanese financial institutions. The closure of Cosmo Credit Corporation, Japan's fifth largest credit union, was announced on July 31. Subsequently, on August 30, the Japanese authorities announced the failures of Hyogo Bank and Kizu Shinyo Kumiai ("Kizu") credit union, Japan's largest second-tier regional bank and largest credit union, respectively. On August 28, the resolution of the Cosmo case was announced jointly by the Ministry of Finance and Tokyo metropolitan authorities. This was followed promptly by Bank of Japan Governor Matsushita's August 30 announcement of the plan to reconstruct Hyogo bank and the Osaka Prefecture's decision to suspend Kizu's operations. On August 30, the dollar surged to a seven-month high of ¥99.40 as anticipation began to mount that the Japanese authorities would announce broad-based measures to strengthen the banking system.

Over the subsequent three weeks, the yen continued to depreciate, particularly after the Bank of Japan lowered the ODR on September 8 by 50 basis points to 0.50 percent and guided the call money rate below the ODR. Increasingly, market participants turned their attention toward the economic stimulus package scheduled to be unveiled on September 20. In the run-up to the package the dollar rose to ¥104.68, as market participants anticipated another clear effort by the Japanese authorities to weaken the yen.

THE GERMAN ECONOMY APPEARS TO SLOW WHILE U.S. ECONOMY SHOWS SIGNS OF QUICKENING ACTIVITY

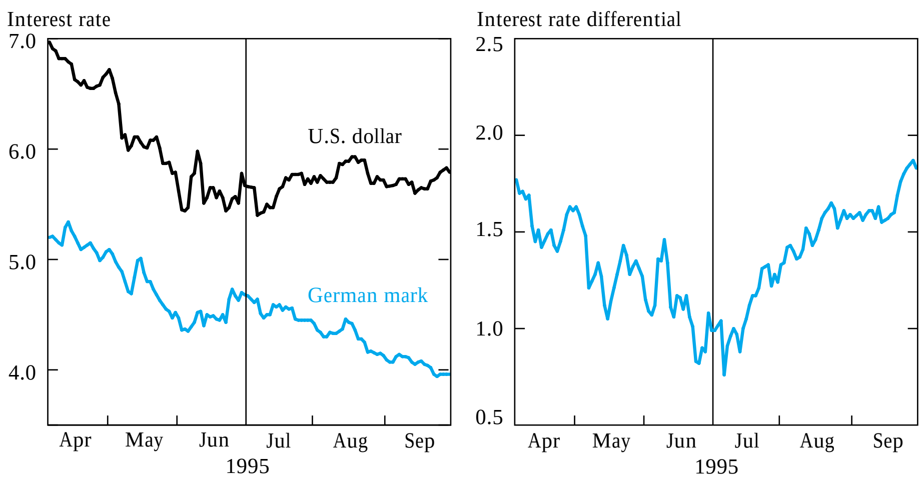
At the start of the quarter, market participants generally expected German economic growth to remain moderate, prices to stabilize, and official interest rates to remain unchanged. Over the course of July and August, however, expectations of German economic growth shifted perceptibly lower. The lack of reliable official data, as government agencies were in the process of recalibrating several key statistics, caused some confusion among market participants. Available data and surveys of the industrial sectors suggested low inflation and weak current activity, which, coupled with weak M3 money supply growth, contributed to lower economic growth forecasts and increased expectations for monetary easing in Germany. Indeed, on August 9, the Bundesbank guided the repo rate lower by five basis points to 4.45 percent. This was the first appreciable cut since early April 1995, and it gave rise to expectations that the Bundesbank had begun a process of gradual monetary easing. As anticipated, the Bundesbank lowered the repo rate six more times in the following weeks, bringing the cumulative repo rate reductions during the quarter to 42 basis points to arrive at 4.08 percent. In addition, on August 24, the Bundesbank reduced both its discount and Lombard rates by 50 basis points to 3.5 and 5.5 percent, respectively. Following the reduction in official German interest rates, the dollar rose as high as DM 1.4990 in late August.

As perceptions of a slowing German economy became increasingly widespread, the notion that the U.S. growth rate may have hit a trough became more prevalent in August. Within a few days after the U.S. monetary easing on July 6 market participants substantially scaled back their expectations for further easing, as reflected in the rise in implied yields on interest rate futures contracts. Implied yields moved gradually upward throughout July and most of August following a series of stronger than expected data releases, particularly June nonfarm employment, June retail sales, and second quarter GDP growth, all of which were released in July. These releases were followed by the Philadelphia Fed diffusion index in late September, which similarly pointed to better than expected economic conditions in the United States.

Chart 4

DIFFERENTIAL BETWEEN DOLLAR AND GERMAN MARK SHORT-TERM INTEREST RATES

Implied by the Three-Month Eurodeposit Futures (December 1995 Contracts)



Source: Bloomberg L.P.

Notwithstanding the diverging economic outlooks for Germany and the United States, foreign exchange market participants appeared to lack sufficient confidence in forecasts that called for improving U.S. economic activity and slowing German economic growth. In July, the dollar moved only slightly higher against the mark, hovering near DM 1.3900. While the dollar appreciated against the German mark in the first two weeks of August, its move upward appeared to follow in sympathy with the dollar's move against the yen rather than to reflect the shifting U.S. and German economic outlooks.

THE U.S. MONETARY AUTHORITIES INTERVENE ON THREE OCCASIONS

The first intervention operation of the quarter was undertaken on July 7 after the dollar reached a high of ¥86.20 following the July 7 monetary easing by the Japanese authorities. The Federal Reserve Bank of New York's Foreign Exchange Desk entered the New York market on behalf of the U.S. monetary authorities, purchasing $333.3 million against the yen. This operation was coordinated with the Japanese monetary authorities. The dollar reached a high of ¥87.15 after the intervention before closing the New York trading session at ¥86.70.

On August 2, the Desk again entered the New York market after the dollar had risen to ¥90.15 following the announcement of Japanese measures to promote overseas investment and loans. The Desk purchased $500 million against the yen on behalf of the U.S. monetary authorities. This operation was also coordinated with the Japanese monetary authorities. The dollar strengthened following the intervention, closing the New York trading session at ¥90.99, near the day's high.

On both occasions, the U.S. Treasury confirmed the operation. As the intervention began on August 2, Treasury Secretary Rubin issued the following statement:

> "We welcome the actions taken by the Japanese authorities to remove impediments to capital movements. These actions and our joint operations are consistent with the April 25 G-7 communiqué."

In the subsequent weeks, shifting economic expectations combined with the concerted official intervention contributed to the dollar's appreciation against the yen. In addition, natural buyers of dollars, who had in previous months lagged their purchase requirements in anticipation of more advantageous levels, hastened to buy as the dollar rose. At the same time, natural sellers of dollars, including Japanese exporters, stayed on the sidelines in the first weeks of August thereby allowing the dollar to rise. Many natural sellers, motivated by their concerns about the future depreciation in the dollar, had accelerated their selling efforts in the earlier months and had already largely fulfilled their then-current selling needs.

The third operation, on August 15, was coordinated with the Japanese monetary authorities and the Bundesbank. The Desk entered the markets in London, Frankfurt, and New York, purchasing $300 million against the Japanese yen and $400 million against the German mark. The dollar was trading near ¥95.02 and DM 1.4476 as the operation began. Following the intervention, the dollar rose to highs of ¥96.98 and DM 1.4795 before declining modestly to close at 96.81 and DM 1.4765. In the next few days, market participants gained confidence in the view that the U.S. Administration supported a stronger dollar not only against the yen but against other currencies as well.

MARKET REEXAMINES EUROPEAN POLITICAL AND FISCAL PROSPECTS

In July and August, the French franc, the Italian lira, and other major European currencies strengthened against the mark, benefiting from a combination of factors, including expectations of gradual monetary easing in Germany, continued investment shifts into higher yielding markets, greater seasonal tourism flows into southern European countries, and modest optimism of fiscal tightening in most European countries. By mid-August, the French franc and Italian lira strengthened against the German mark, reaching a 13-month high of FRF 3.4014 and a 6-month high of ITL 1084.70, respectively. Against the background of continuing positive performance in high-yielding markets and positive comments from local government officials, market participants gained greater confidence that fiscal deficits in several European countries would improve sufficiently to meet the targets established for EMU.

In late August, however, major European currencies' upward momentum against the German mark began to dissipate as concerns surrounding the process of EMU began to reemerge. The unexpected resignation on August 25 of French Finance Minister Madelin cast doubts on the prospects of fiscal contraction in Europe, particularly following reports that Madelin had been forced to resign because of his support for aggressive public spending cuts. In this context, the German mark appreciated against other European currencies from mid-August to mid-September, and in turn, as the mark strengthened, the dollar's upward trend began to encounter some resistance.

DOLLAR RETRACES ITS GAINS LATE IN THE PERIOD

Toward the end of the quarter, the dollar retraced some of its earlier gains as a confluence of events in Japan, Europe, and the United States triggered dollar selling. Early on September 20, following the release of Japan's much-awaited economic stimulus package, the dollar came under pressure against the yen. In the days prior to the release of the package, comments from Japanese government officials led to heightened expectations of a significant stimulus package that would help revive the Japanese economy. Some market participants even began to speculate that the package would encompass not only fiscal measures but also significant regulatory changes and financial sector support, despite prior indications from Japanese officials that the package would not include such measures. Although the ¥14.2 trillion package was somewhat larger than originally anticipated, the measures were generally as expected and did not include any new deregulatory or banking initiatives. In the event, speculative players began to unwind their long-dollar and short-yen positions that were established in anticipation of the release of the stimulus package.

Also on September 20, European financial markets came under sharp selling pressure after reports of comments by several German officials sparked intensified skepticism about the viability of EMU. German Finance Minister Waigel reportedly stated that Italy was unlikely to qualify for the initial group of states forming a single currency. In addition, news reports indicated that Bundesbank Council member Jochimsen had emphasized the importance of member states' adhering strictly to the Maastricht Treaty and suggested that France and Belgium might not meet EMU entry criteria. Earlier on the same day, the official presentation of France's 1996 budget had elicited little initial reaction among market participants, though some analysts voiced skepticism about the budget's targets; following reports of the German officials' comments, however, skepticism escalated concerning the fiscal situations in various European countries. Nervousness among market participants increased as they began to focus more closely on the forthcoming presentation of Italy's 1996 budget. During the week of September 18, the German mark rose by 4.6 percent against the lira, to ITL 1130.73, and 0.7 percent against the French franc, to FRF 3.4645. This upward pressure on the mark within Europe placed downward pressure on the dollar in the subsequent days.

The dollar's decline was aided by the September 20 release of worse than expected July U.S. trade data, which disappointed some market participants who had been hoping for evidence of an improvement in the U.S. trade and current account balances. In the background, some market participants noted growing concern about the debate between the Administration and the Congress regarding the budget process and debt limit extension, which triggered some concerns of possible disruptions to the upcoming Treasury auctions.

Between September 20 and 22, the combination of events outlined above prompted severe selling pressure on the dollar. The dollar fell by 4.7 percent against the German mark and 4.4 percent against the Japanese yen to close at DM 1.4225 and ¥99.90, respectively, on September 22. Market participants, many of whom had reportedly established long positions in European currencies and short positions in the German mark during the summer, began to sell European currencies against the mark. The effect on the dollar was accentuated by investors' sales of dollars for marks as a proxy for the less liquid cross exchange rates between the European currencies and the German mark.

DOLLAR STABILIZES IN A NARROW RANGE

In the final week of September after the adjustment of long-dollar positions had tapered off, the dollar recovered partially and consolidated in trading ranges of DM 1.42 to DM 1.44 and ¥99 to ¥101. The dollar closed the quarter at ¥99.55 and DM 1.4273.

CANADA

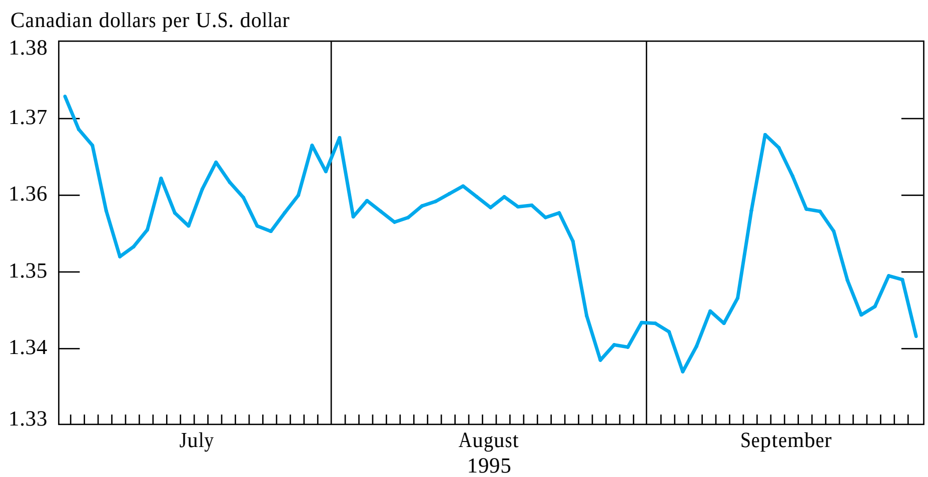
Over the quarter, the Canadian dollar was buffeted by shifting prospects concerning Quebec sovereignty and Quebec's relationship with the rest of Canada. Early in the quarter, the Canadian dollar traded with a firmer tone as several polls showed dwindling support for separation. As the currency firmed, the Bank of Canada lowered short-term interest rates. Specifically, on July 6 immediately following the FOMC's decision, the Bank of Canada reduced its overnight call target range by 25 basis points. In the following weeks, the Bank of Canada lowered interest rates three more times to arrive at the end-of-quarter overnight range of 6.00 to 6.50 percent, 175 basis points below the recent peak in early May.

In late August, the Canadian dollar rallied to a 19-month high of C$1.3345. In early September, however, the Canadian dollar came under pressure following the official launch of the Quebec referendum campaign. The referendum, set for October 30, proposed

Chart 5

THE DOLLAR AGAINST THE CANADIAN DOLLAR

Spot Exchange Rate



Source: Federal Reserve Bank of New York.

sovereignty in conjunction with economic and political links with the rest of Canada.[2] Following the release of the official referendum question, the Canadian currency declined almost 2.4 percent as polls indicated growing support for Quebec sovereignty. In the final weeks of the quarter, however, polls began to indicate an improved outlook for a "no" outcome in the referendum. The Canadian dollar recovered much of its losses of the prior weeks and consolidated in a narrower range, ending the quarter at C$1.3416.

MEXICO

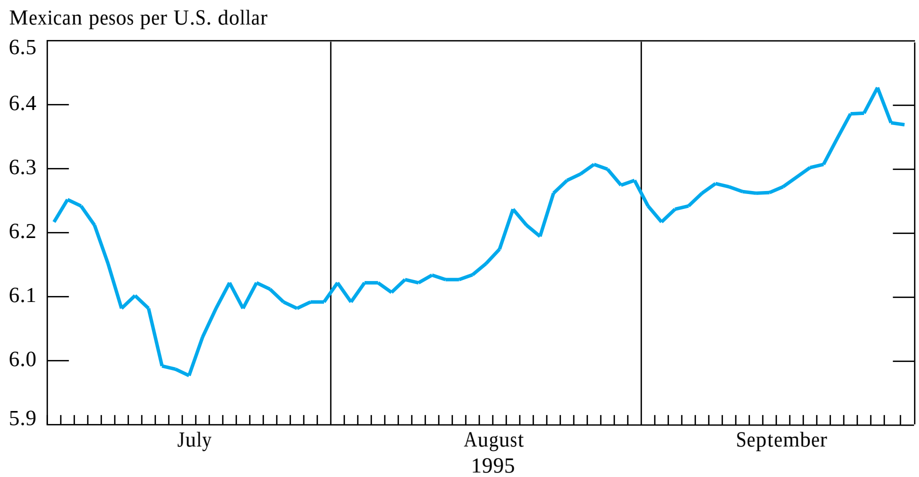
Over the quarter, the peso declined 2.1 percent against the dollar to close at NP6.377, from its second quarter close of NP6.245. At the outset of the quarter, the perception became more widespread that the Mexican authorities were conducting appropriately tight monetary and fiscal policies as inflation and interest rates declined from April highs, that the government would be able to meet heavy tesobono maturities in July and August, and that official transparency was improving.

Given these improvements, and against the backdrop of an easing of U.S. interest rates, Mexican markets rallied, and the peso traded to a 1995 high against the dollar of NP5.98. In this environment, Mexico returned to the international capital markets, successfully launch-

Chart 6

THE U.S. DOLLAR AGAINST THE MEXICAN PESO

Spot Exchange Rate



Source: Federal Reserve Bank of New York.

ing several international bond issues during the period. At the same time, Mexican authorities took steps to reduce the peso's volatility in the context of a floating exchange rate. In particular, the Bank of Mexico encouraged the early redemption of maturing dollar-indexed tesobonos directly through the central bank in order to minimize spikes in dollar demand during a period of heavy tesobono maturities. During the quarter, tesobonos maturing totalled $7.4 billion, reducing the outstanding balance to $2.6 billion from $29.2 billion at the beginning of the year. In addition, dollar borrowings from the central bank's FOBAPROA lending facility were reduced to zero, as local banks continued to find alternative sources of dollar funding.

For most of the quarter, the peso traded in a range of approximately NP6.00 to NP6.30 against the dollar. As concern about default dissipated, many market participants shifted their focus to Mexico's longer-term prospects, cautiously assessing the timing and sources of a return to economic growth and the impact of banking system problems. In the last few weeks of the period, amid several uncertainties on the domestic front, spillover from events elsewhere in Latin America, and usual quarter-end pressures, the peso's decline accelerated slightly to close at NP6.3770.

The Mexican authorities drew $2.5 billion on July 5 on their medium-term facility with the ESF, bringing the total amount drawn by Mexico under the Medium-Term Stabilization Agreement to $10.5 billion. In addition, on August 1, the ESF and the Federal Reserve System renewed the Bank of Mexico's short-term swaps, each for $1 billion, for an additional three months.

TREASURY AND FEDERAL RESERVE FOREIGN EXCHANGE RESERVES

The U.S. monetary authorities intervened three times during the period, buying a total of $1.133 billion against the Japanese yen and $400 million against the German mark. On all three occasions, intervention operations were divided equally by the Federal Reserve System and the ESF. On July 3 the Treasury issued $2.5 billion of SDR certificates to Federal Reserve Banks.

At the end of the period, the current values of the foreign exchange reserve holdings of the Federal Reserve System and the ESF were $21.7 billion and $29.1 billion, respectively. The U.S. monetary authorities regularly invest their foreign currency balances in a variety of official instruments that yield market-related rates of return and have a high degree of liquidity and credit quality. A significant portion of the balances is invested in foreign government-issued securities. As of September 30, the Federal Reserve and the ESF held, either directly or under repurchase agreement, $7.7 billion and $11.2 billion, respectively, in foreign government securities.

ENDNOTES

1. The dollar's movements on a trade-weighted basis against ten major currencies are measured using an index developed by staff at the Board of Governors of the Federal Reserve System.

2. The referendum question itself was introduced in the Quebec National Assembly on September 7, 1995. It reads as follows: "Do you agree that Quebec should become sovereign, after having made a formal offer to Canada for a new economic and political partnership, within the scope of the bill respecting the future of Quebec and the agreement signed on June 12, 1995?"

Table 1

FOREIGN CURRENCY HOLDINGS OF U.S. MONETARY AUTHORITIES BASED ON CURRENT EXCHANGE RATES

Millions of Dollars

	Balances as of June 30, 1995	Quarterly Changes in Balances by Source: Net Purchases and Sales[a]	Impact of Sales[b]	Investment Income	Currency Valuation Adjustments[c]	Balances as of September 30, 1995
Federal Reserve						
Deutsche marks	13,936.0	(200.0)	(11.9)	147.7	(442.0)	13,429.8
Japanese yen	8,931.4	(566.7)	(24.8)	33.6	(1,220.7)	7,152.9
Mexican pesos[d]	967.5	(14.1)	0.0	14.1	(11.3)[e]	956.2
Subtotal	23,834.8	(780.8)	(36.7)	195.5	(1,674.0)	21,538.9
Interest receivables[f]	126.0					114.1
Total	23,960.8					21,653.0
U.S. Treasury Exchange Stabilization Fund						
Deutsche marks	7,153.2	(200.0)	(11.9)	77.6	(223.7)	6,795.1
Japanese yen	12,843.9	(566.7)	(24.8)	40.8	(1,784.0)	10,509.3
Mexican pesos[d]	9,000.0	2,485.9	0.0	14.1	0.0[e]	11,500.0
Subtotal	28,997.1	1,719.2	(36.7)	132.5	(2,007.7)	28,804.5
Interest receivables[f]	72.8					304.0
Total	29,069.9					29,108.5

Note: Figures might not sum because of rounding.

[a] Purchases and sales for the purpose of this table include foreign currency sales and purchases related to official activity, swap drawings and repayments, and warehousing.

[b] This number is calculated using marked-to-market exchange rates; it represents the difference between the sale exchange rate and the most recent revaluation exchange rate. Realized profits and losses on sales of foreign currencies, computed as the difference between the historic cost-of-acquisition exchange rate and the sale exchange rate, are reflected in Table 2.

[c] Foreign currency balances are marked-to-market monthly at month-end exchange rates.

[d] See Table 4 for a breakdown of Mexican swap activities. Note that the investment income on Mexican swaps is sold back to Mexico.

[e] Valuation adjustments on peso balances do not affect profit and loss because the impact is offset by the unwinding of the forward contract at the repayment date. Note that the ESF does not mark-to-market its peso holdings, but the Federal Reserve System does.

[f] Interest receivables for the ESF are revalued at month-end exchange rates. Interest receivables for the Federal Reserve System are carried at cost and are not marked-to-market until interest is paid.

Table 2

NET PROFITS OR (LOSSES) ON U.S. TREASURY AND FEDERAL RESERVE FOREIGN EXCHANGE OPERATIONS BASED ON HISTORIC COST-OF-ACQUISITION EXCHANGE RATES

Millions of Dollars

	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
Valuation profits and losses on outstanding assets and liabilities as of June 30, 1995		
Deutsche marks	3,433.5	1,342.0
Japanese yen	3,454.8	4,966.4
Total	6,888.3	6,308.5
Realized profits and losses from foreign currency sales[a] June 30, 1995 - September 30, 1995		
Deutsche marks	39.8	27.4
Japanese yen	192.9	193.0
Total	232.7	220.4
Valuation profits and losses on outstanding assets and liabilities as of September 30, 1995[b]		
Deutsche marks	2,939.8	1,079.0
Japanese yen	2,016.4	2,964.7
Total	4,956.3	4,043.7

Note: Figures might not sum because of rounding.

[a] As indicated in Table 1, foreign currency sales totaled $400.0 million against German marks and $1,133.3 million against Japanese yen.

[b] Valuation profits or losses are not affected by peso holdings, which are canceled by forward contracts.

Table 3

FEDERAL RESERVE RECIPROCAL CURRENCY ARRANGEMENTS

Millions of Dollars

Institution	Amount of Facility	Outstanding as of September 30, 1995
Austrian National Bank	250	0
National Bank of Belgium	1,000	0
Bank of Canada	2,000	0
National Bank of Denmark	250	0
Bank of England	3,000	0
Bank of France	2,000	0
Deutsche Bundesbank	6,000	0
Bank of Italy	3,000	0
Bank of Japan	5,000	0
Bank of Mexico[a]		
Regular swaps	3,000	1,000
Temporary swaps	3,000	0
Netherlands Bank	500	0
Bank of Norway	250	0
Bank of Sweden	300	0
Swiss National Bank	4,000	0
Bank for International Settlements		
Dollars against Swiss francs	600	0
Dollars against other authorized European currencies	1,250	0
Total	35,400	1,000

U.S. TREASURY EXCHANGE STABILIZATION FUND CURRENCY ARRANGEMENTS

Millions of Dollars

Institution	Amount of Facility	Outstanding as of September 30, 1995
Deutsche Bundesbank	1,000	0
Bank of Mexico[a]		
Regular Swaps	3,000	1,000
United Mexican States[a]		
Medium-Term Swaps		10,500
Total[a]		11,500

[a] Facilities available to Mexico comprise short-term swaps between the Bank of Mexico and both the Federal Reserve and the ESF, as well as medium-term swaps and government guarantees between the Government of Mexico and the ESF. The total amount available from both medium-term swaps and government guarantees is $20 billion, less any outstanding drawings on the short-term facilities.

Table 4

DRAWINGS/ROLLOVERS (+) AND REPAYMENTS (-) BY MEXICAN MONETARY AUTHORITIES

Millions of Dollars

	Outstanding as of June 30, 1995	July	August	September	Outstanding as of September 30, 1995
Reciprocal Currency Arrangements with the Federal Reserve					
Bank of Mexico (regular)	1,000.0	0.0	+1,000.0[a] -1,000.0[a]	0.0	1,000.0
Currency Arrangements with the U.S. Treasury Exchange Stabilization Fund					
Bank of Mexico (regular)	1,000.0	0.0	+1,000.0[a] -1,000.0[a]	0.0	1,000.0
Medium term	8,000.0	+2,500.0	0.0	0.0	10,500.0

Note: Data are on a value-date basis.

[a] Drawing of February 2 was renewed on August 1 for an additional three months.