

## CENTRAL RESERVE BANK OF PERU

### WEEKLY REPORT

Nº 37 – September 17, 2004

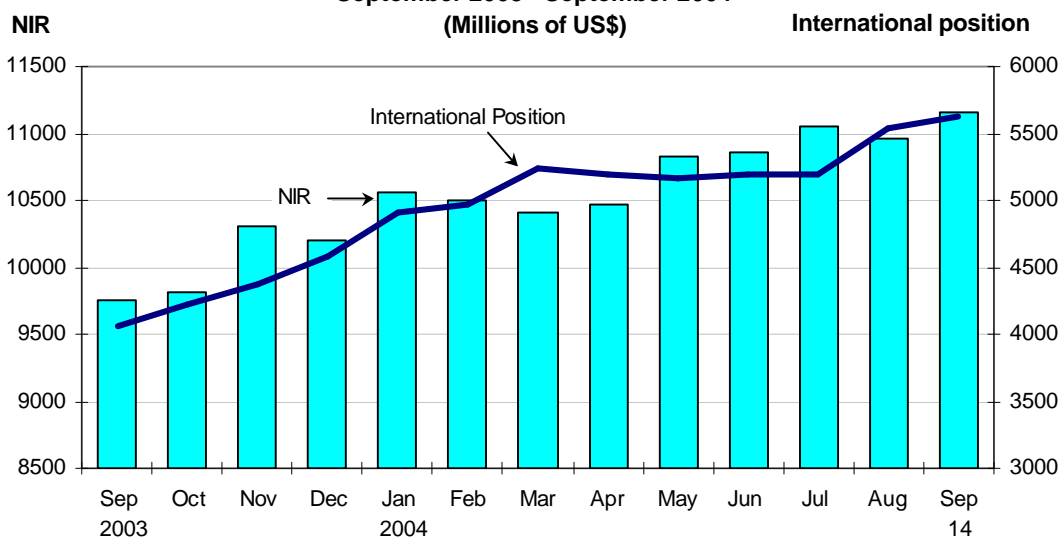
#### Net international reserves at US\$ 11 151 million

As of **September 14**, net international reserves (NIR) amounted to US\$ 11 151 million, up US\$ 188 million from end-August. This increase was mainly due to purchases of foreign exchange (US\$ 123 million), higher financial system's, public sector's and Insurance Deposit Fund's deposits (US\$ 80, 7 and 3 million, respectively) and investment returns

(US\$ 2 million) which were partially offset by sales of foreign currency in order to pay debt (US\$ 28 million).

Starting this year, NIRs have increased US\$ 956 million, whereas the **Central Bank's international position** (US\$ 5 629 million) grew by US\$ 1 046 million.

**Net international reserve and international position of the Central Reserve Bank**  
September 2003 - September 2004  
(Millions of US\$)

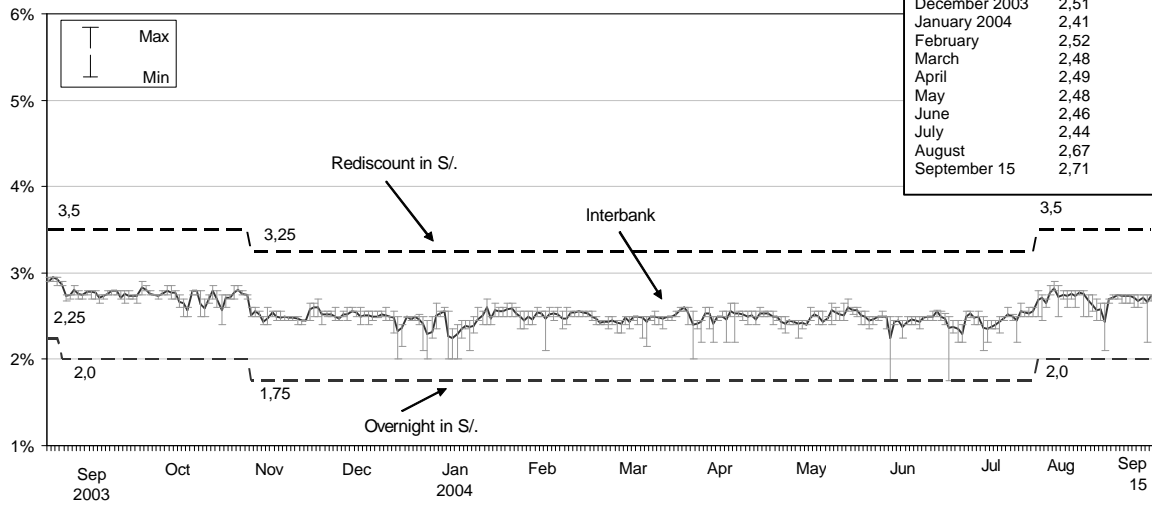


#### Interbank interest rate at 2,71%

As of **September 15**, the average interbank interest rate in domestic

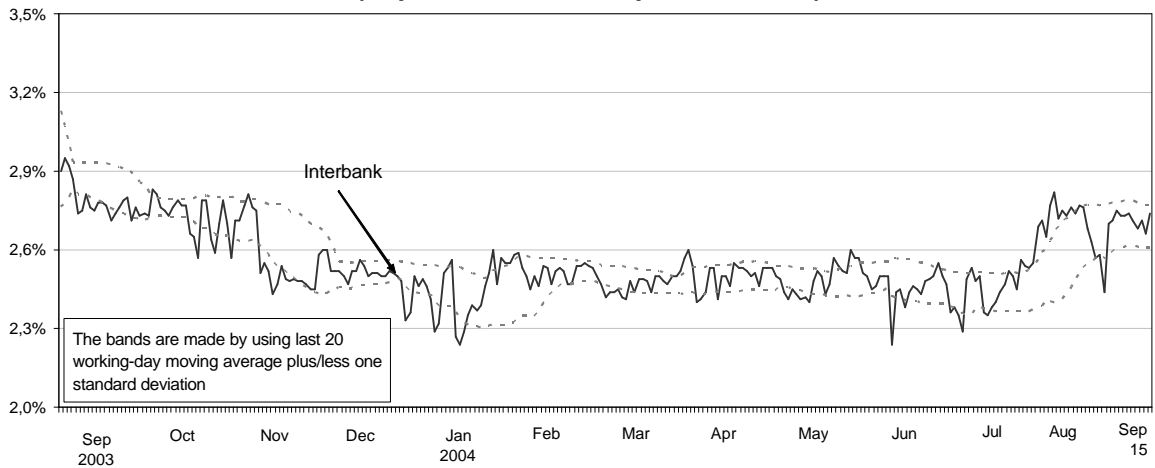
currency was 2,71%, higher than August's (2,67%).

**Interest rates in domestic currency  
(September 2003 - September 2004)**



Interbank interest rate (percent)		
	Average	Standard Deviation
December 2003	2,51	0,05
January 2004	2,41	0,10
February	2,52	0,04
March	2,48	0,04
April	2,49	0,06
May	2,48	0,05
June	2,46	0,07
July	2,44	0,07
August	2,67	0,10
September 15	2,71	0,03

**Interbank interest rate in domestic currency  
(September 2003 - September 2004)**



**Monetary operations**

As of **September 15**, the daily average balance of banks' liquidity at the Central Bank was S/. 280 million. Between **September 9 and 15**, the Central Bank made the following operations:

- Auctions of CDBCRP with a i) 7-day maturity by S/. 60 and 20 million at an average interest rate of 2,79% and 2,75%; ii) 6-month by S/. 40 million at 3,71% ; iii) 9-month by S/. 40 and 50 million at 4,19% and 4,07%,

respectively; iv) 1-year by S/. 60 and 40 million at 4,35% and 4,25%, respectively; v) 16-month by S/. 30 million at 4,77% and vi) 1,5-year by S/. 60 and S/. 30 million at 5,15% and 5,01% respectively.

- Auctions of temporary purchase of CDBCRP and Treasury bonds with a 3-day maturity by S/. 40 million at an average interest rate of 2,71%.

- Foreign currency purchase over-the-counter mechanism by US\$ 60 million at an average exchange rate of S/. 3,355 per dollar.
- Overnight deposits on August 9, 10, 13, and 14, by S/. 46,3, S/. 18, S/. 4, and S/.1 million, respectively.

second week of September for the different maturities.

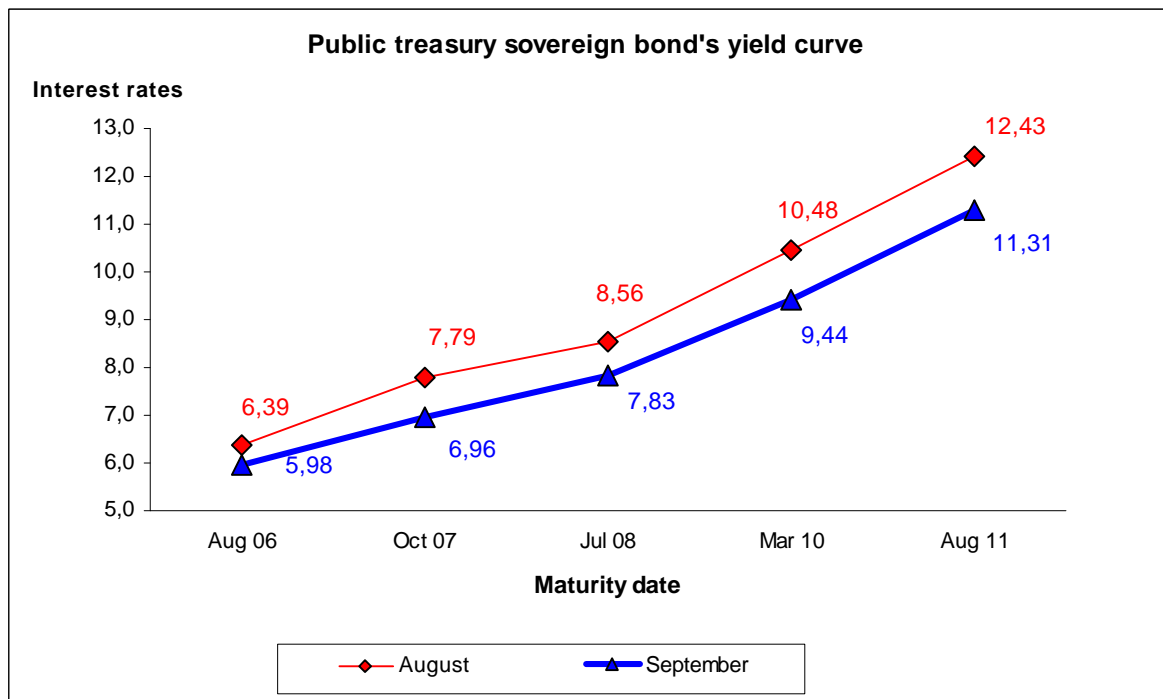
In the case of the CDBCRP, the interest rate up to 6 months fell from 3,85% to 3,71%, the rate up to 9 months from 4,19% to 3,87%, the rate up to one year from 4,35% to 4,25% and the rate up to 18 months from 5,15% to 4,89%.

The CDBCRP's and the Treasury bond's interest rate continued diminishing in the

CDBCRP's auctions										
Amounts in millions of soles and rates in percentages										
Term	1 week	1 year	18 months	1 week	9 months	16 months	1 año	18 months	9 months	18 months
Date	13-sep	13-sep	13-sep	14-sep	14-sep	14-sep	15-sep	15-sep	16-sep	16-sep
Offered amount (in mill.)	60	60	60	20	50	30	40	30	50	40
Accepted amount	60	60	60	20	50	30	40	30	50	40
Demand	157	155	188	26	157	128	159	132	162	138
Rates										
Minimum	2,73	3,60	5,05	2,70	4,03	4,74	4,25	4,95	3,84	4,84
Maximum	2,79	4,45	5,18	2,80	4,08	4,80	4,25	5,02	3,88	4,89
Average	2,79	4,35	5,15	2,75	4,07	4,77	4,25	5,01	3,87	4,89

Similarly, the yields of the Sovereign Bonds show a decrease of 70 bps on average, being the greatest falls for the bonds of maturities higher than 3 years. This decreasing tendency in the Sovereign Bonds yields is associated mainly to the

liquidity excess of institutional investors, the outcomes in the CDBCRP auctions and the recent appreciation of the domestic currency that would have led the institutional investors to prefer assets in domestic currency.

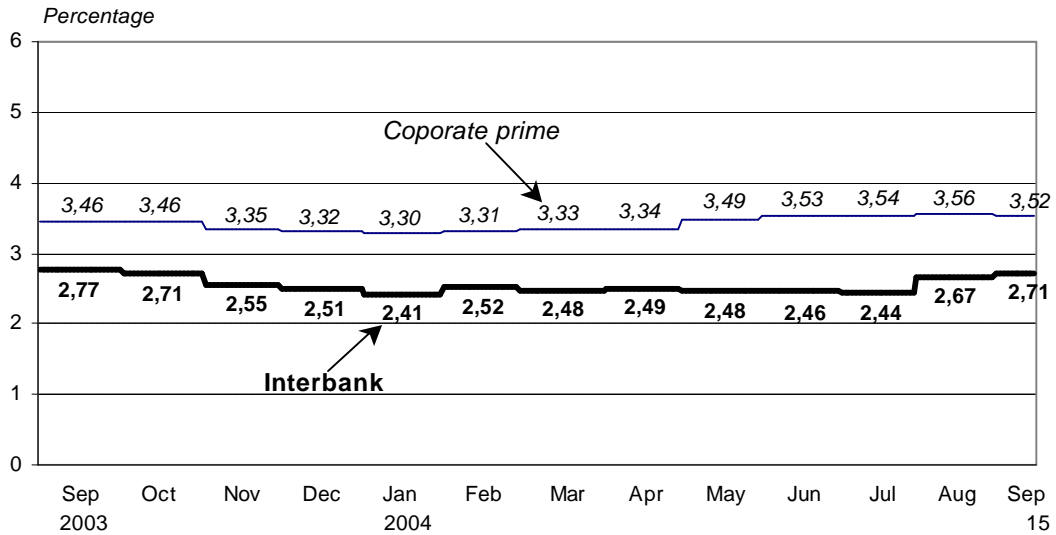


### Corporate prime interest rate at 3,52%

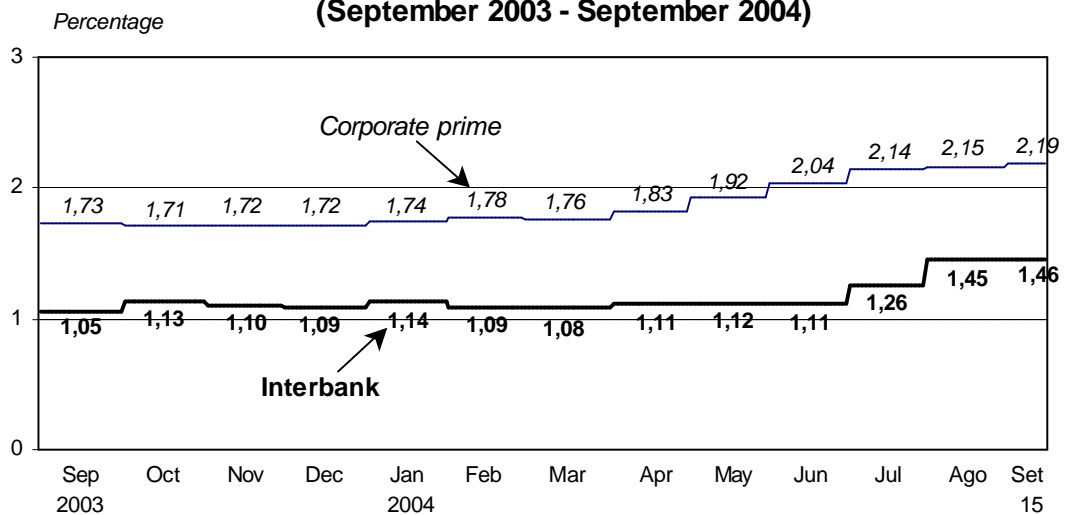
As of **September 15**, the 90-day average corporate prime interest rate in domestic currency dropped from 3,56% in August to

3,52% (after increasing 7 months) whereas the rate in dollars was raised from 2,15% to 2,19% over the same period.

**Monthly average interest rate in domestic currency  
(September 2003 - September 2004)**



**Monthly average interest rate in foreign currency  
(September 2003 - September 2004)**



**Exchange rate: S/. 3,350**

Between **September 8 and 15**, the exchange rate slightly appreciated from S/. 3,367 to S/. 3,350. Within this period, the Central Bank bought US\$ 80 million.

Besides, the balance of net forward sales augmented by US\$ 17 million by September 15, whereas the bank's exchange position dropped in US\$ 26 million.

**BANKS' EXCHANGE POSITION**  
(Millions of US\$)

	December 2002	December 2003	August 2004	September 15
<b>a. Net sales to the public (i-ii)</b>	<b>905</b>	<b>607</b>	<b>535</b>	<b>518</b>
i. Forward sales to the public	1 141	834	1 028	1 007
ii. Forward purchases to the public	236	227	493	489
<b>b. Banks' exchange position</b>	<b>643</b>	<b>536</b>	<b>461</b>	<b>487</b>

**Spread of Global bond 2012 at 2,78%**

Between **September 8 and 15**, the spread of the Peruvian Global ten year bond and sovereign bonds where reduced from 3,09% to 2,78% and from 3,41% to 3,10%, respectively; reaching their lowest level since January. This has reflected a positive attitude by foreign investors towards emerging markets as a more gradual Fed

Funds rates increase is expected. In the regional context, higher growth expectations have been formed for Brazil contributing to a reduction in the spreads. Taking advantage from the reduction in the cost of credit The Philippines, Brazil, Turkey and Colombia issued new sovereign bonds.

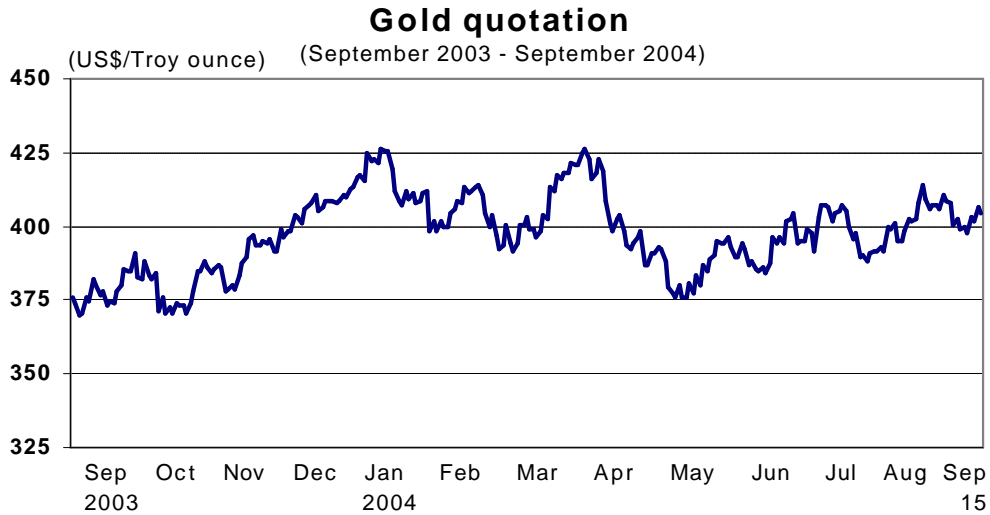
**Country risk indicators**  
(September 2003 - September 2004)



### International Markets

Between **September 8 and 15**, the gold quotation increased 1,3% to US\$ 405 per Troy ounce due to the fact that this metal

is being bought as an reserve asset as the US current account is deteriorating and after the terrorist attacks in Yakarta.



The **copper** quotation raised 0,9% to US\$1,28 per pound explained by a higher demand expectations after some indicator on the Chinese industrial production. Besides that, the 14-day strike in Southern

Peru Copper Corporation also influenced the price. London Metal Exchange (LME) stocks have reduced from 108 to 104 thousand TM.



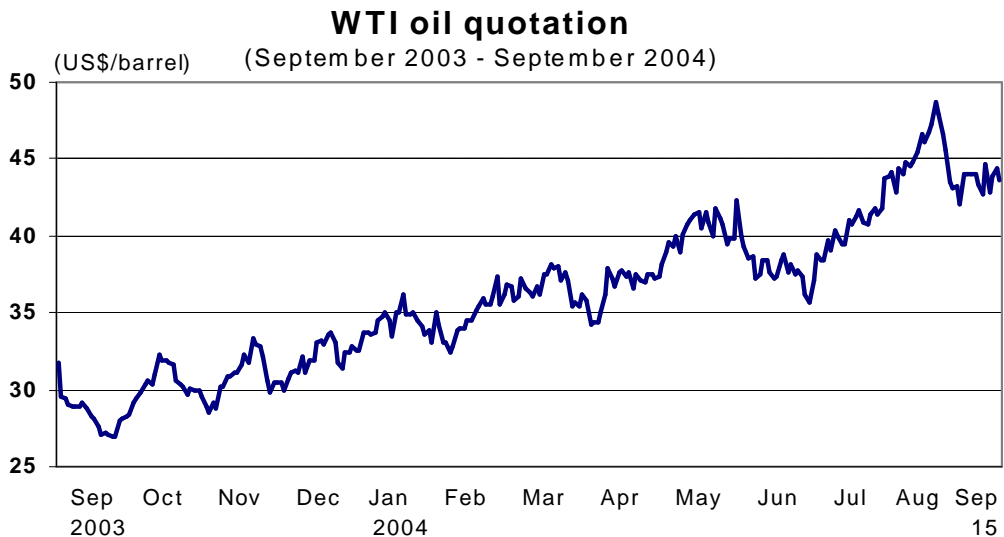
In the period under analysis, the **zinc** quotation increased 1,7% to US\$ 0,44 per

pound. LME zinc inventories decreased from 727 to 721 thousand TM.



The **WTI oil** price grew 1,9% to US\$ 43,6 per barrel as some oil platforms in the Mexican Gulf were closed to prevent damages from hurricane Ivan. US inventories have reduced to 278 million barrels following the Energy Departments reports. In September 15, the OPEC

reunion decided to increase production (excluding Iraq) in 1 million barrel per day (averaging 27 million day barrels). During August, the Cartel produced 2 million day barrels above their official quote so it is believed the announcement will not have an important impact.



The **US dollar** appreciated by 0,3% and 0,6% against the **euro** and **yen** respectively. The yen depreciation is explained by a revision of second quarter

Japanese output figures from 1,7% to 1,3% after government investment cuts by the government (in order to control fiscal deficit).

### Yen and euro

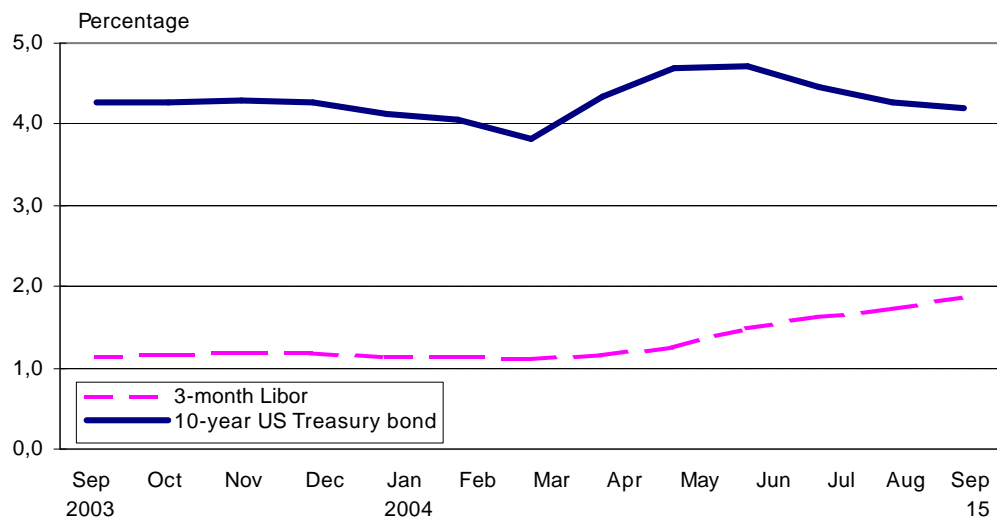


The past week, the **3-month Libor** where raised from 1,86% to 1,89%, whereas the **yield of US Treasury bonds with a 10 year maturity** increased from 4,16% to

4,17% due to the lower demand after the announcement of a increased in the manufacturer index of the New York FED.

### Libor and yield of 10-year matured US Treasury bond

(September 2003 - September 2004)





### Lima Stock Exchange

As of **September 15**, the LSE increased 5,4% and 5,3% in its **General Index** and its **Blue Chip Index**, respectively thanks to lower production costs expectations as a result of the start-up of Camisea project and the positive outlook of the sectors related to the domestic demand. This has

pushed Alicorp, Graña y Montero, Ferreyros and Aceros Arequipa's market value. Besides, zinc prices have helped Volcan's and Milpo's shares. In the year, these indexes record cumulative increases of 23,4% and 24,4%, respectively.

