



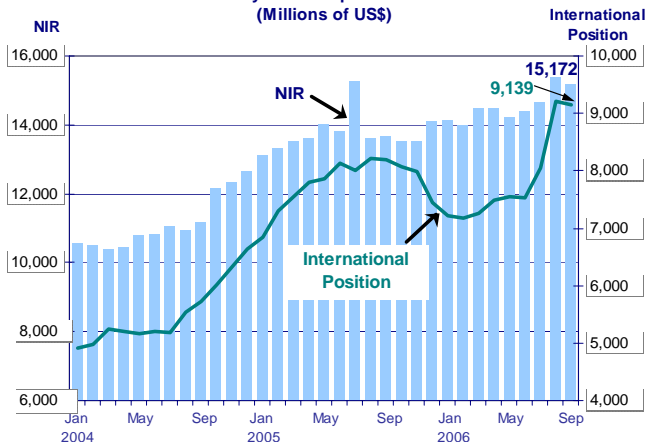
Indicators

- Average interbank interest rate at 4.48% on October 4
- International reserves: US\$ 15,172 million
- Average exchange rate at S/. 3.25
- Inflation in September: 0.03 percent
- Trade surplus of US\$ 679 million in August
- Lima Stock Exchange grew 3.3 percent.

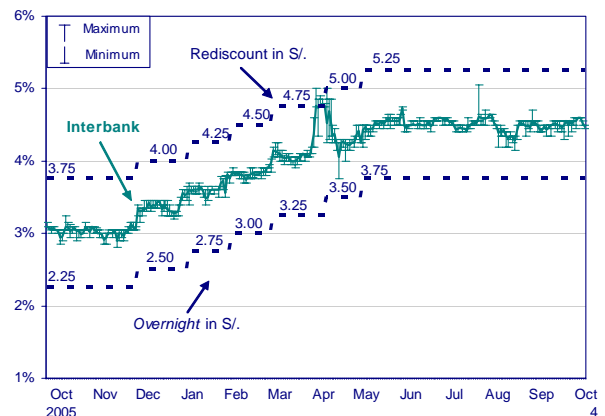
Content

- Average interbank interest rate on October 4 x
- Corporate prime rate in soles: 5.32 percent x
- International reserves at US\$ 15,172 million at the close of September xi
- Real exchange rate increased 0.3 percent xi
- Inflation: 0.03 percent in September xii
- Macroeconomic expectations: October 2006 xiv
- Trade surplus of US\$ 679 million in August xv
- Country risk at 167 basis points xviii

International Reserve and International Position of the BCRP
January 2004 - September 2006
(Millions of US\$)



Interest Rates in Domestic Currency
(October 2005 - October 2006)



Central Reserve Bank of Peru

Monday, October 09, 2006

News

- Weekly Report Nro 39-2006
- Informative note on the Monetary Program October 2006
- International Reserves: Composition and Performance - June 2006
- The development of China's Export Performance

Monetary and Exchange Operations

06/10/2006

02:30 p.m. The Central Bank did not intervene in the foreign exchange market.

02:15 p.m. Auction sales of 3-day CDBCRP amounting to S/. 50 million at an average interest rate of 4.24 percent.

01:15 p.m. Auction sales of 3-day CDBCRP amounting to S/. 150 million at an average interest rate of 4.30 percent.

12:30 p.m. Auction sales of 3-month CDBCRP amounting to S/. 50 million at an average interest rate of 4.30 percent.

11:30 a.m. The initial liquidity of the banking system was in S/. 740 million. The BCRP announced a 3-month and a 3-day CDBCRP auction sales to S/. 50 million and S/. 150 million, respectively. (See more)

Interbank Interest Rates in S/.

06/10/2006

Last day: 4.48% Bid Ask

11:00 AM: 4.50%

Accumulated: 4.55%

Interbank Exchange Rate

06/10/2006 (Source: Database)

11:00 AM: 3.248 3.250

01:30 PM: 3.247 3.248

Domestic Demand and Terms of Trade

Our website

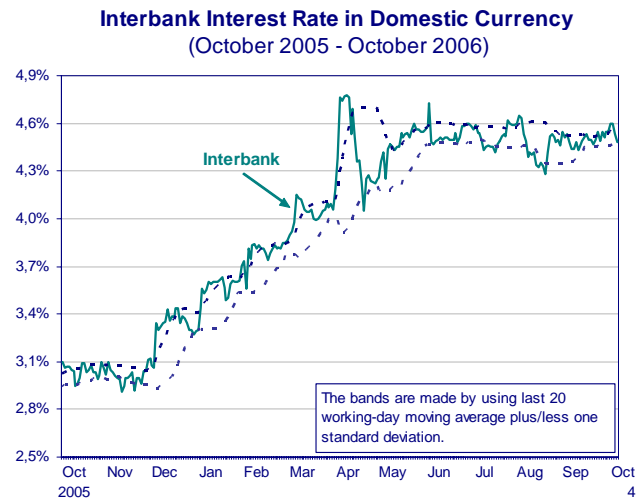
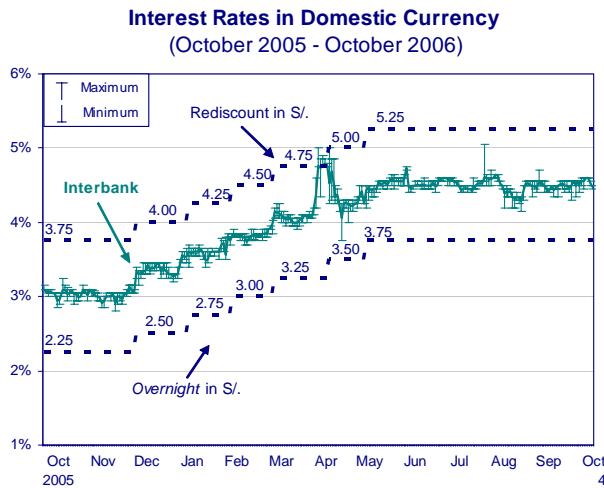
<http://www.bcrp.gob.pe/bcr/ingles/>

- Informative note on the Monetary Program: October 2006
- International Reserves: Composition and Performance - June 2006
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Average interbank interest rate at 4.48 percent on October 4

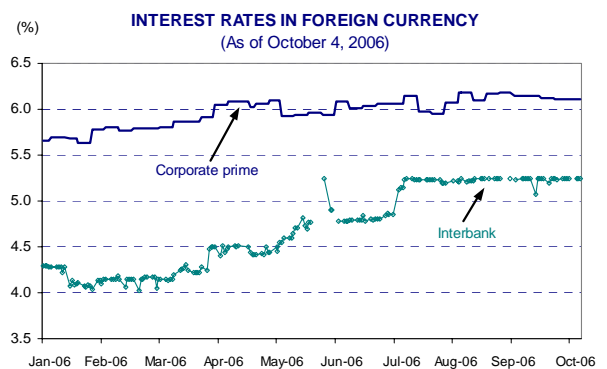
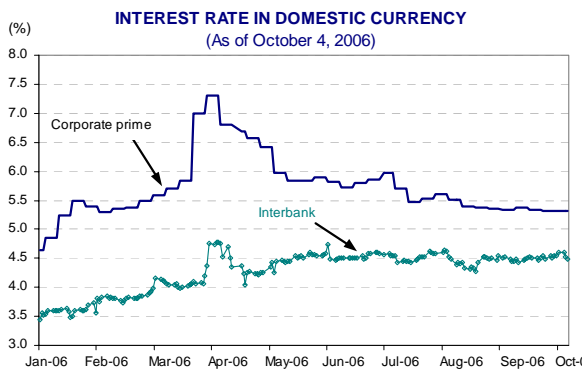
The average interbank interest rate in domestic currency decreased from 4.55 percent on **September 27** to 4.48 percent on **October 4**. The monthly average rate in September (4.51 percent) increased with respect to the previous month (4.44 percent). As of October 4, the rate is 4.56 percent, although a downward trend has been observed over the past few days.

Interbank Interest Rate average (percent)		
	Average	Standard Deviation
December 2004	3.00	0.05
December 2005	3.34	0.08
March 2006	4.12	0.17
June	4.53	0.07
July	4.50	0.06
August	4.43	0.10
September 27	4.50	0.04
October 04	4.56	0.06



Corporate prime rate in soles: 5.32 percent

In the period between **September 27** and **October 4**, the 90-day corporate prime rate in soles continued to be 5.32 percent, while this rate in dollars was 6.11 percent.



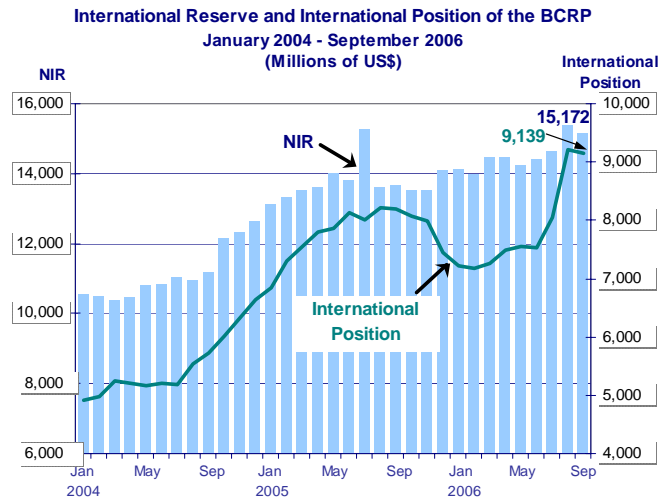
Monetary operations

Between **September 28** and **October 4**, the Central Bank made the following operations:

- i) Auctions of CRBP Certificates of Deposits with a 92-day maturity for a total of S/. 30 million and of CRBP Certificates of Deposits with a 7-day maturity for a total of S/. 40 million. The average interest rate on these operations is 4.83 percent and 4.55 percent respectively; ii) Auctions of temporary purchases of securities involving 1-day and 3-day maturities for a daily average of S/. 187.5 million on September 28, 29, October 2, and October 3. The average interest rate on these operations fluctuated between 4.54 and 4.62 percent; iii) Purchases of foreign currency for a total of S/. 105.5 million (US\$ 32.5 million) at an average exchange rate of S/. 3.2485 per dollar; iv) Overnight deposits in domestic currency for S/. 287.5 million.

International reserves at US\$ 15,172 million at the close of September

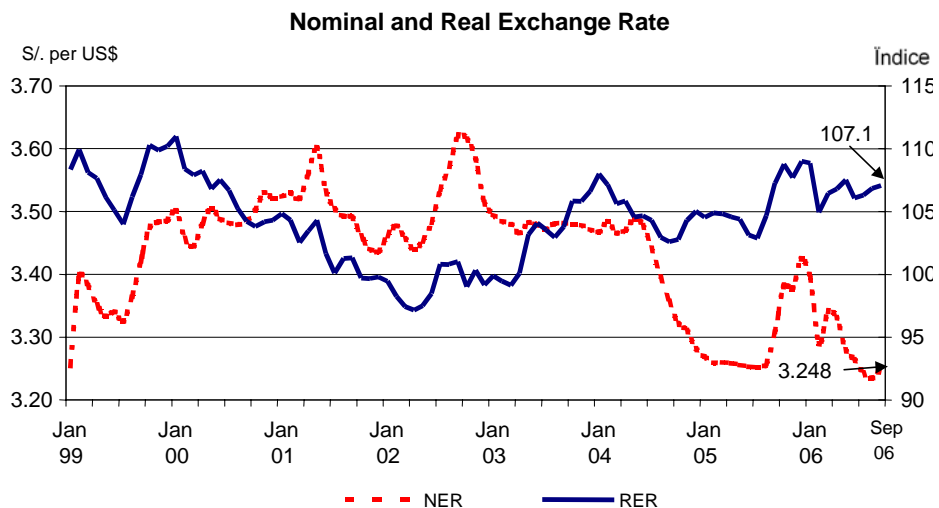
As of **end-September**, net international reserves (NIRs) had decreased by US\$ 207 million to US\$ 15,172 million. This evolution is mainly explained by the repayment of the external public debt (US\$ 200 million), banks' lower deposits (US\$ 154 million), lower prices for gold (US\$ 62 million), and by lower deposits from both the public sector and the Deposit Insurance Fund (US\$ 3 million in each case). However, this was offset by net purchases of foreign currency (US\$ 167 million) and by higher investment yield (US\$ 46 million).



So far this year, NIRs have increased by US\$ 1,075 million. As of end-September, the **Central Bank's international position** (US\$ 9,139 million) has decreased US\$ 62 million with respect to the close of August and has increased US\$ 1,689 million with respect to the close of 2005.

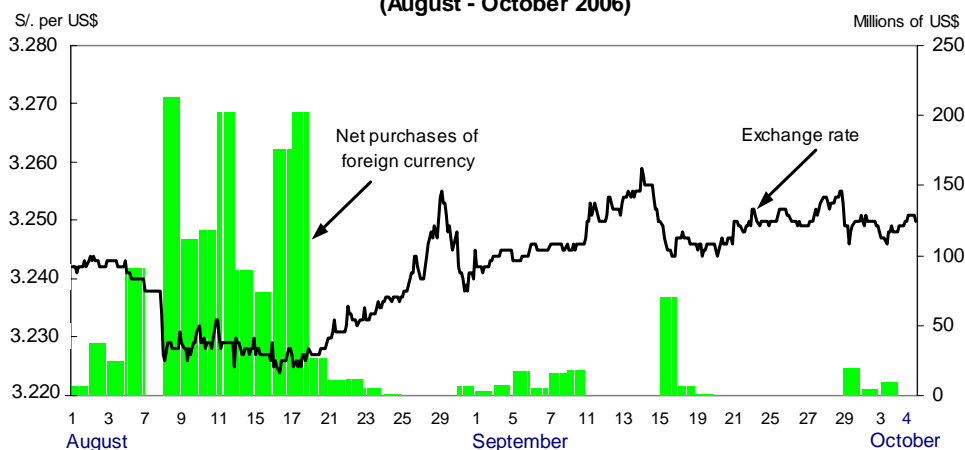
Real exchange rate increased 0.3 percent

In September, the average nominal exchange rate was S/. 3.248 per dollar. This represents a 0.4 percent depreciation of the nuevo sol with respect to its average in the previous month, although in real terms, the nuevo sol appreciated 0.3 percent with respect to the same period. This result is mainly explained by the nominal depreciation of the nuevo sol, as no major changes were recorded in terms of external and/or domestic inflation. In annual terms, the nuevo sol has appreciated 0.1 percent.



Between **September 28 and October 4**, the ask price of the interbank exchange rate decreased from S/. 3.253 to S/. 3.250 per dollar, which represented a 0.1 percent appreciation of the nuevo sol. In this period, the BCRP intervened in the interbank exchange market purchasing a total of US\$ 32.5 million. During the month of September, the Central Bank's net purchases of foreign currency in the interbank exchange market amounted to US\$ 167 million.

**Interbank Ask- Exchange Rate and Net Purchases of Foreign Currency
(August - October 2006)**



As of October 3, the balance of net forward sales have decreased by US\$ 6 million, and banks' exchange position have decreased by US\$ 66 million with respect to the close of September.

**BANK'S EXCHANGE POSITION
(Millions of US\$)**

	December 2005	March	Jun	July	August	September	October 3
a. Net sales to the public (i-ii)	1,027	1,579	1,706	1,457	815	860	854
i. Forward sales to the public	1,813	2,426	2,387	2,149	2,127	2,020	2,065
ii. Forward purchases to the public	785	847	681	692	1,312	1,160	1,211
b. Bank's exchange position	480	581	450	449	366	383	317

Inflation: 0.03 percent in September

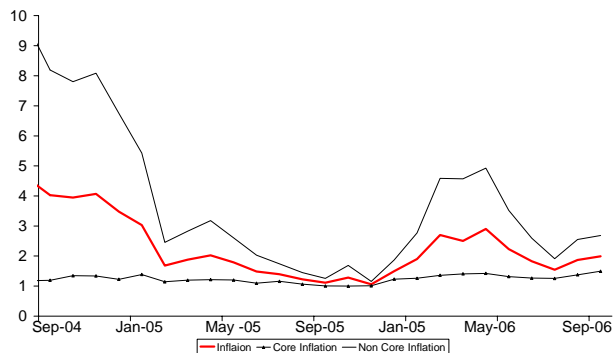
Inflation in September posted a level of 0.03 percent, with a last-12 month accumulated of 2.0 percent. Three items contributed with 0.29 percentage points to this month's results: onion (0.18 points), potato (0.08 points), and fish (0.03 points). On the other hand, three other items contributed with -0.18 percentage points to inflation this month: chicken meat (-0.10 points), sugar, and maize (with -0.04 points each).

INFLATION RATE (Annual percentage change)

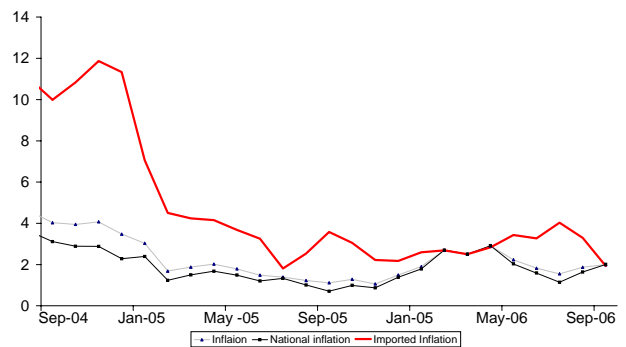
	Weighting	Monthly	12-month indicator			Average annual indicator		
		Sep. 2006	Sep. 2005	Aug. 2006	Sep. 2006	Sep. 2005	Aug. 2006	Sep. 2006
I. CORE INFLATION	60,6	0,08	1,01	1,38	1,49	1,20	1,24	1,28
Goods	34,0	0,10	0,69	0,67	0,89	0,94	0,77	0,78
Food	13,0	0,20	0,60	1,01	1,44	2,29	0,74	0,81
Textile and footwear	7,6	0,10	1,62	1,35	1,41	1,48	1,43	1,41
Electrical appliances	1,0	-0,30	-2,49	0,10	-0,09	-3,10	-0,60	-0,40
Other industrial goods	12,5	0,02	0,46	-0,07	0,06	-0,47	0,49	0,46
Services	26,6	0,06	1,40	2,24	2,23	1,52	1,83	1,90
Restaurants	12,0	0,01	0,93	1,22	1,21	1,43	1,07	1,09
Education	5,1	0,00	2,91	3,71	3,62	3,77	2,98	3,04
Health	1,3	0,39	3,49	-0,44	-0,07	1,77	1,30	1,01
Renting	2,3	-0,10	-0,59	1,30	0,60	-1,64	1,29	1,40
Other services	5,9	0,22	1,25	3,94	4,19	0,79	2,66	2,91
II. NON CORE INFLATION	39,4	-0,05	1,26	2,55	2,69	3,73	2,74	2,86
Food	22,5	-0,01	-1,66	2,55	3,91	2,16	2,63	3,10
Fuel	3,9	-0,34	10,99	6,91	3,08	12,14	7,85	7,18
Transportation	8,4	0,05	3,57	0,98	0,87	3,49	1,67	1,45
Utilities	4,6	-0,06	0,99	0,30	-0,58	3,14	-0,76	-0,89
III. CPI	100,0	0,03	1,11	1,87	1,99	2,25	1,87	1,94
Note.-								
Imported inflation	12,1	-0,10	3,58	3,29	1,93	5,62	2,97	2,83
Core inflation excluding food	47,6	0,05	1,12	1,47	1,51	0,91	1,38	1,41
Total food	33,2	0,06	-0,81	1,81	2,87	2,27	2,08	2,38

Core inflation in the month was 0.08 percent, with a last-12 month accumulated level of 1.5 percent. On the other hand, **non-core inflation** in September posted -0.05 percent, accumulating 2.7 percent over the last twelve months. **Core inflation** in the month was 0.08 percent, with a last-12 month accumulated level of 1.5 percent. On the other hand, **non-core inflation** in September posted -0.05 percent, accumulating 2.7 percent over the last twelve months.

INFLATION
(Last 12-month cumulative variation)



INFLATION, NATIONAL INFLATION AND IMPORTED INFLATION
(Last 12-month cumulative variation)



Macroeconomic expectations: October 2006

Between September 11 and 29, the Central Reserve Bank of Peru conducted the monthly Macroeconomic Expectations survey among 28 financial organizations, 25 economic analysts, and 345 non-financial companies. The results of the surveys are presented in the tables below:

FINANCIAL SYSTEM INSTITUTIONS

(Median^{1/} of the sample)

	Date of the survey		
	Jul 31 2/	Aug 31 2/	Sep 31 2/
Inflation (%)			
Monthly: Oct	0.20	0.19	0.18
Annual: 2006	2.55	2.30	2.10
2007	2.50	2.50	2.50
GDP growth (%)			
Monthly: Aug	5.30	5.90	6.20
Sep	5.50	5.70	6.00
Oct	--	5.50	6.00
Annual: 2006	5.60	6.00	6.45
2007	5.36	5.85	5.70
Exchange rate (S/. per US\$)			
Monthly: Oct	3.26	3.24	3.24
December 2006	3.27	3.26	3.25
December 2007	3.30	3.30	3.30
Interbank interest rate (%)			
<i>In nuevos soles</i>			
Monthly: Oct	4.66	4.50	4.50
December 2006	4.75	4.50	4.50
December 2007	5.00	4.63	4.50

1/ The median indicates the sample central value which reduces any bias caused by extreme values.

2/ 28 financial institutions.

NON-FINANCIAL SYSTEM FIRMS

(Median^{1/} of the sample)

	Date of the survey		
	Jul 31 2/	Aug 31 2/	Sep 31 2/
Inflation (%)			
Annual: 2006	2.0	2.0	2.0
2007	2.0	2.0	2.0
GDP growth (%)			
Annual: 2006	6.0	6.0	6.2
2007	5.8	6.0	6.0
Exchange rate (S/. per US\$)			
December 2006	3.30	3.30	3.28
December 2007	3.35	3.35	3.32

1/ The median indicates the sample central value which reduces any bias caused by extreme values.

2/ 345 non-financial institutions.

ANALYSTS

(Median^{1/} of the sample)

	Date of the survey		
	Jul 31 2/	Aug 31 3/	Sep 31 4/
Inflation (%)			
Monthly: Oct	0.20	0.20	0.22
Annual: 2006	2.50	2.38	2.10
2007	2.50	2.50	2.50
GDP growth (%)			
Monthly: Aug	5.80	6.00	6.70
Sep	5.50	5.85	6.30
Oct	--	5.73	6.35
Annual: 2006	5.80	6.00	6.50
2007	5.10	5.10	5.50
Exchange rate (S/. per US\$)			
Monthly: Oct	3.26	3.24	3.24
December 2006	3.29	3.26	3.25
December 2007	3.34	3.30	3.30
Interbank interest rate (%)			
<i>In nuevos soles</i>			
Monthly: Oct	4.67	4.50	4.50
December 2006	4.66	4.50	4.50
December 2007	4.88	4.50	4.50

1/ The median indicates the sample central value which reduces any bias caused by extreme values.

2/ 22 analysts.

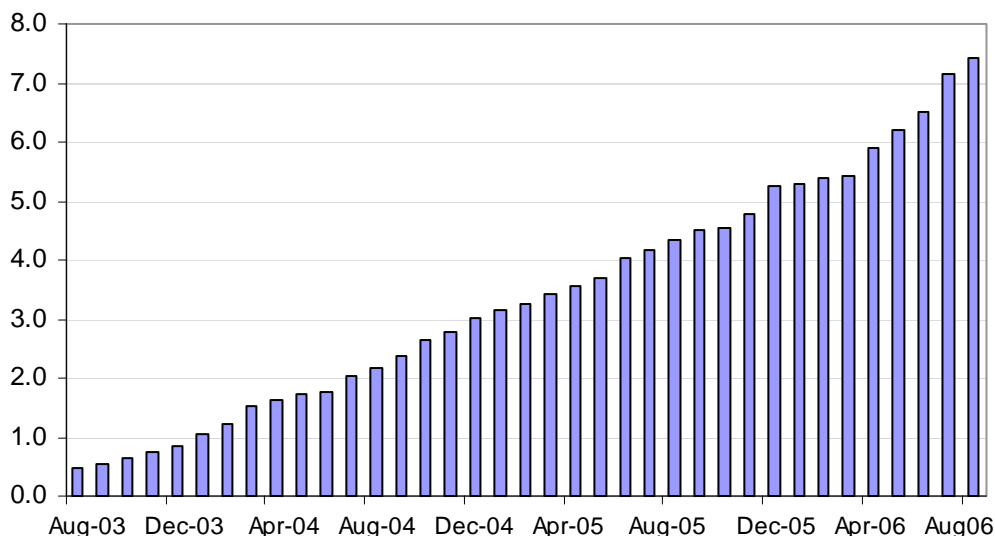
3/ 26 analysts.

4/ 25 analysts.

Trade surplus of US\$ 679 million in August

In **August** 2006, the trade balance recorded a surplus of US\$ 679 million, a sum US\$ 274 million (68 percent) higher than the one recorded in August 2005. In this way, the trade balance has posted a positive result over 40 consecutive months. A surplus of US\$ 7,419 million was achieved in the last 12 months (September 2005 through August 2006). This figure is 72 percent higher than the one posted in the same period last year.

Annual Trade Balance: Agosto 2003-Agosto 2006
(thousand of millions of US\$ accumulated in the last 12 months)



Exports in August amounted to 1,930 million, increasing by US\$ 434 million (51 percent) with respect to exports in August last year. In annual terms, exports logged an accumulated total of US\$ 21,141 million, a sum 35 percent higher than the annual accumulated amount as of the same period 2005.

Traditional exports totaled US\$ 1,430 million, increasing by 27 percent (US\$ 302 million) with respect to August 2005. Traditional exports contributing most heavily to this evolution included copper (US\$ 242 million, or 96 percent), zinc (US\$ 120 million, or 155 percent), and coffee (US\$ 38 million, or 112 percent).

Non-traditional exports amounted to US\$ 487 million, increasing by US\$ 131 million (37 percent) with respect to non-traditional exports in August 2005. All non-traditional exports posted some growth, except for non-metallic minerals and fabricated metal products and machinery. It is worth highlighting the particularly positive evolution of exports in the sectors of basic metal industries and jewelry, agriculture and livestock, and textiles.

Imports amounted to US\$ 1,250 million in August, which represented a 15 percent increase with respect to August 2005. This result is explained by higher purchases of consumer goods (11 percent), raw materials for industrial uses (7 percent), and capital goods for industry (36 percent). Imports over the last twelve months totaled US\$ 13,722 million, a sum 21 percent higher than the one recorded in the same period last year.

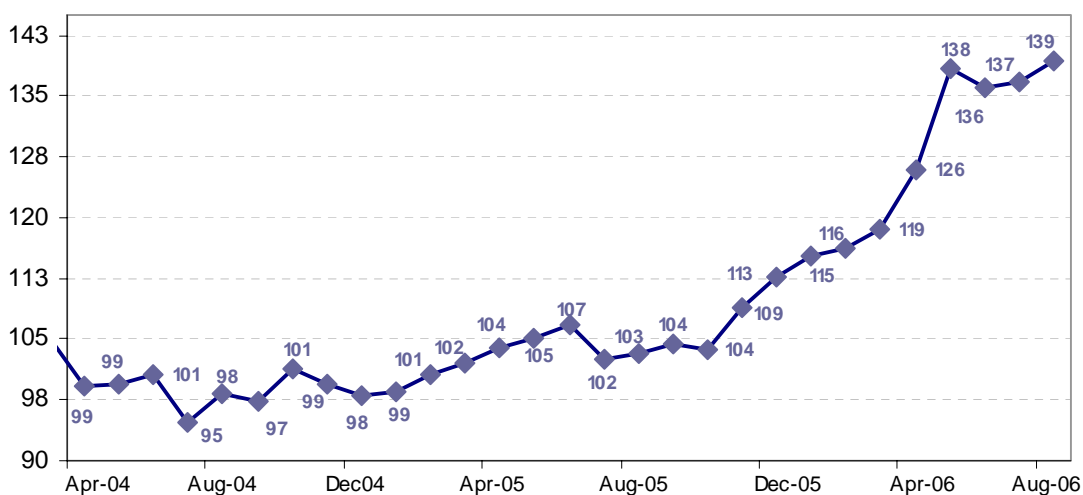
TRADE BALANCE

(Millions of US\$)

	Monthly data			Annual data				
	August 2005	August 2006	% Chg.	Sep.2004 Aug.2005 A	Aug.2005 Jul.2006 B	Sep.2005 Aug.2006 C	% Chg. C/A	% Chg. C/B
1. EXPORTS	<u>1 496</u>	<u>1 930</u>	<u>29.0</u>	<u>15 708</u>	<u>20 708</u>	<u>21 141</u>	<u>34.6</u>	<u>2.1</u>
Traditional products	1 128	1 430	26.8	11 526	15 850	16 152	40.1	1.9
Non-traditional products	357	487	36.6	4 041	4 703	4 834	19.6	2.8
Other products	12	13	6.1	141	155	156	10.8	0.5
2. IMPORTS	<u>1 091</u>	<u>1 250</u>	<u>14.6</u>	<u>11 383</u>	<u>13 563</u>	<u>13 722</u>	<u>20.6</u>	<u>1.2</u>
Consumer goods	211	234	10.8	2 253	2 454	2 477	10.0	0.9
Raw materials and intermedia	606	647	6.8	6 264	7 389	7 430	18.6	0.6
Capital goods	266	364	36.9	2 762	3 609	3 708	34.2	2.7
Other goods	8	6	- 31.0	104	110	107	3.2	- 2.3
3. TRADE BALANCE	<u>405</u>	<u>679</u>	<u>67.6</u>	<u>4 325</u>	<u>7 145</u>	<u>7 419</u>	<u>71.6</u>	<u>3.8</u>

The **terms of trade** in August grew 35 percent due to an increase in the average prices of exports (45 percent) based on better international prices for the main commodities. The prices of imports, on the other hand, increased 7 percent. Moreover, exported volumes fell 11 percent.

TERMS OF TRADE (1994=100)



Monetary base as of September 30, 2006

The balance of the **monetary base** as of September 30 (S/. 11,586 million) increased 0.9 percent (S/. 99 million) from the end of August. In average terms, the annual growth rate of the monetary base in this period was 13.7 percent (13.2 percent in August).

By sources, the operations that contributed to the expansion of the monetary base were the net redemptions of BCRP Certificates of Deposits (S/. 694 million) and the purchases of foreign currency at the Central Bank's Front Desk (US\$ 166 million, or S/. 539 million). Conversely, the monetary base contracted due to the sale of dollars to the public sector (US\$ 200 million, or S/. 649 million), the smaller temporary purchases of securities (S/. 90 million), as well as the higher deposits of the public sector (S/. 308 million) as much as overnight deposits of the financial system (S/. 153 million).

Monetary accounts of the banking system as of September 15, 2006

In the last four weeks, liquidity in **domestic currency** increased 1.9 percent (S/. 558 million), reaching a total of S/. 30,519 million (annual growth of 9.3 percent). Credit to the private sector in this currency increased 2.4 percent (S/. 413 million), as a result of which the balance was S/. 17,657 million (annual growth of 36.8 percent).

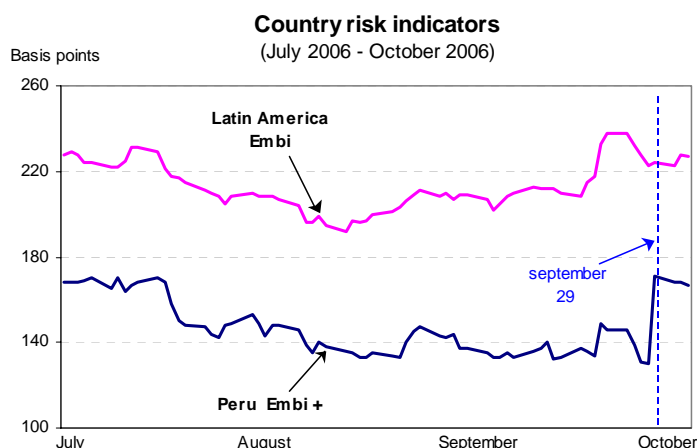
Liquidity in **foreign currency** decreased 1.3 percent (US\$ 150 million), reaching a balance of US\$ 11,024 million (annual growth of 7.8 percent). Credit to the private sector in foreign currency rose in 1.0 percent (US\$ 110 million), reaching a balance of US\$ 10,601 million (annual growth of 4.1 percent).

END OF PERIOD MONETARY AGGREGATES OF THE BANKING SYSTEM												
	BASE MONETARY		LIQUIDITY IN D/C		CREDIT IN D/C		LIQUIDITY IN F/C		LIABILITIES 1/		CREDIT IN F/C	
	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR
2003												
Dec.	11.5%	10.1%	3.6%	10.5%	-1.2%	5.1%	0.5%	-2.6%	-0.1%	-8.0%	-0.6%	-5.8%
2004												
Mar.	0.7%	16.6%	1.5%	12.9%	3.6%	6.3%	0.0%	-5.2%	-4.7%	8.8%	0.5%	-3.7%
Jun.	0.7%	19.2%	-0.1%	14.1%	0.8%	3.9%	3.0%	-1.5%	3.4%	28.4%	0.7%	-0.3%
Sep.	-1.0%	20.5%	2.8%	17.0%	1.6%	8.0%	-0.1%	1.3%	6.5%	30.6%	-1.2%	-0.6%
Dec.	14.9%	25.3%	5.7%	28.1%	1.0%	11.9%	0.8%	1.4%	1.6%	4.5%	1.1%	1.3%
2005												
Mar.	-0.2%	25.7%	3.7%	33.6%	2.8%	12.1%	-2.0%	2.2%	6.0%	27.0%	0.4%	3.4%
Jun.	1.9%	28.1%	2.2%	35.4%	0.8%	16.2%	-0.7%	4.9%	-4.0%	4.7%	1.5%	5.7%
Jul.	12.1%	30.6%	3.4%	36.4%	2.0%	17.1%	-0.6%	1.8%	5.9%	16.8%	0.6%	5.8%
Aug.	-5.1%	30.7%	-1.8%	32.3%	3.3%	20.5%	0.2%	3.9%	-5.0%	17.1%	-2.2%	4.8%
Sep.	-0.1%	31.8%	-0.6%	27.9%	2.0%	21.0%	1.5%	5.5%	-9.8%	-0.9%	-1.4%	4.6%
Oct.	1.2%	27.6%	1.1%	21.2%	3.6%	21.2%	0.2%	6.6%	-11.1%	6.3%	0.1%	5.4%
Nov.	0.7%	27.7%	1.6%	19.7%	5.4%	27.2%	2.8%	9.1%	9.9%	12.1%	1.9%	6.3%
Dec.	13.1%	25.7%	5.3%	19.5%	7.0%	34.8%	3.8%	12.4%	33.9%	48.0%	-0.2%	5.0%
2006												
Jan.	-7.2%	25.0%	-4.8%	13.4%	2.5%	38.3%	2.7%	14.8%	-28.8%	-15.5%	-4.1%	0.4%
Feb.	0.3%	22.9%	1.1%	10.5%	2.5%	41.2%	1.4%	17.0%	8.1%	0.8%	-0.7%	-0.2%
Mar.	0.8%	24.2%	2.1%	8.8%	1.3%	39.2%	2.4%	22.3%	-5.5%	-10.1%	2.5%	1.9%
Apr.	0.3%	18.3%	-4.4%	5.2%	1.3%	38.6%	-2.3%	14.8%	-13.7%	-29.8%	0.6%	0.4%
May.	-1.6%	15.5%	-1.2%	3.9%	0.5%	37.0%	-2.1%	9.4%	1.1%	-27.7%	2.3%	0.8%
Jun.	2.3%	16.0%	0.9%	2.5%	2.1%	38.8%	-0.2%	10.0%	-0.6%	-25.1%	2.4%	1.6%
Jul.	8.0%	11.7%	2.8%	1.8%	1.4%	38.0%	1.4%	12.1%	-15.3%	-40.1%	0.6%	1.6%
Aug.	-4.2%	12.8%	2.6%	6.4%	2.2%	36.5%	-0.3%	11.6%	-0.2%	-37.1%	-1.2%	2.6%
Sep.15	0.2%	15.1%	1.9%	9.3%	2.4%	36.8%	-1.3%	7.8%	2.3%	-37.9%	1.0%	4.1%
Memo:												
Balance as of Aug. 15 (Mill.S/. or Mill.US\$)	11,596		29,960		17,244		11,174		561		10,491	
Balance as of Sep. 15 (Mill.S/. or Mill.US\$)	11,621		30,519		17,657		11,024		574		10,601	
1/ Short term external liabilities of banking enterprises.												

International markets

Country risk at 167 basis points

As of October 4, the country risk measured by the **EMBI+ Peru** spread posted 167 basis points. This result was not due to investors' perception of higher risks regarding Peruvian sovereign bonds, but rather to a new methodology implemented by JP Morgan to calculate this indicator (this new methodology, involving a restructuring of the bond portfolio to elaborate the EMBI+ Peru index, began to be implemented on September 29).



As of September 29, the EMBI+ index has included in its basket the global bonds 2025 and 2033, which have a spread higher than 200 bps. (higher than the spread of other bonds). Because of this inclusion, the EMBI+ spread recorded an increase of nearly 41 bps. on that day. However, the spread of the other Peruvian bonds included in the EMBI+ index showed no significant variation that day, and therefore confirmed that the perception of risk has not increased. This is confirmed even further by the evolution of the EMBIG, another indicator of the country risk that had already included global bonds 2025 and 2033 in its basket¹.

PERU: Spreads In basis points

	Sep 25.	sep 26.	Sep 27.	Sep 28.	Sep 29.	Oct 02.	Oct 03.	Oct 04.
EMBI +	146	139	131	130	171	168	168	167
Global 33	231	222	217	209	208	207	207	205
Global 25	211	204	206	196	193	191	193	190
Global 15	188	169	168	154	162	153	154	156
Global 12	145	144	124	132	125	122	129	124
Global 8	97	79	108	87	104	87	86	90
PDI	142	143	131	132	143	149	153	149
FLIRB	156	152	149	149	152	156	158	152
EMBIG	185	179	174	168	169	166	167	166

Source: JP Morgan

It should be pointed out that the EMBI+ index has more strict criteria in terms of liquidity than the EMBIG when considering the inclusion of a specific instrument. According to JP Morgan, global bonds 2025 and 2033 only met the criteria of liquidity as of Friday, September 29.

¹ It is worth mentioning that JP Morgan publishes various indices to measure the country risk. The EMBI+ (that measures the total return for the debt instruments in foreign currency of the sovereign emerging markets) and the EMBIG (that measures the total return for the debt instruments only in US dollar, emitted by the sovereign emerging markets and almost sovereign entities).

Correction in metal prices

In **September**, the average **gold** quotation diminished from US\$ 631.6 to US\$ 598.8 per troy ounce (5.2 percent) due to investment funds' profit taking, given the fall in the price of oil and the volatility of the dollar. In addition to this, the greater perspectives of a slow recovery of the jewelry industry in the fourth quarter, after having registered a fall of almost 24 percent in the second quarter, lead the price of this metal downward.



As of **October 4**, the gold quotation diminished to US\$ 563 per ounce troy. The recent fall in oil prices prompted some investors to liquidate positions, given that its attraction as coverage against inflation decreased.

In similar month, the average quotation of **copper** descended from US\$ 348.6 to US\$ 344.7 per pound (1.1 percent) explained by the expectations of a smaller global growth due to the deceleration registered in the United States economy (the second larger copper consumer of the world). Nevertheless, the problems of labor negotiations in some Codelco mines (the main producer of copper in the world) attenuated the fall of the red metal.



During the month, the copper inventories in the London Metal Exchange (LME) diminished from 125,350 MT to 116,975 MT.

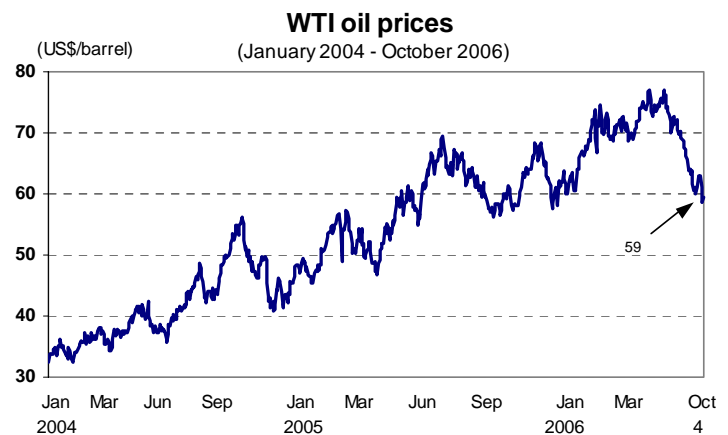
As of **October 4**, the copper quotation diminished to US\$ 338 per pound, explained by the cessation of strike fears in some mining businesses and signs of a slow growth in the United States economy and a smaller demand of China (the major consumer of the red metal). On the other hand, the weekly holiday in China (since Monday, October 2) caused an important decrease in the negotiated volumes at the end of the week. Also, the International Cooper Study Group (ICSG) indicated in a press release that the use of copper in China will fall 1.8 percent this year.

In **September**, the average price of **zinc** registered a slight increase from US\$ 151.8 to US\$ 154.3 per pound (1.6 percent). This rise is explained by the continuous descent of the LME inventories during the month, falling from 173,500 MT to 140,375 MT. Besides, during the month, the investment bank "Standard Bank" forecasted that the zinc would reach maximum levels again in the fourth quarter, and that the market would close the year with an approximate deficit of 450 thousand MT.



As of **October 4**, the price of zinc reached US\$ 154.2 per pound coinciding with a decrease in the LME inventories, which closed at 116,975 MT. The zinc foundations are still maintained, although the fears of a deceleration of the U.S. economy affect the commodities market in general.

In **September**, the **WTI oil average price** fell from US\$ 73.0 to US\$ 63.9 per barrel (12.5 percent) due to the increment of the distilled supply and of the gasoline inventories. Likewise, the relatively calm of the geopolitical conflicts, after the advance in the negotiations between the European Union and Iran, and the OPEC decision to maintain the production quota induced the oil price downward.



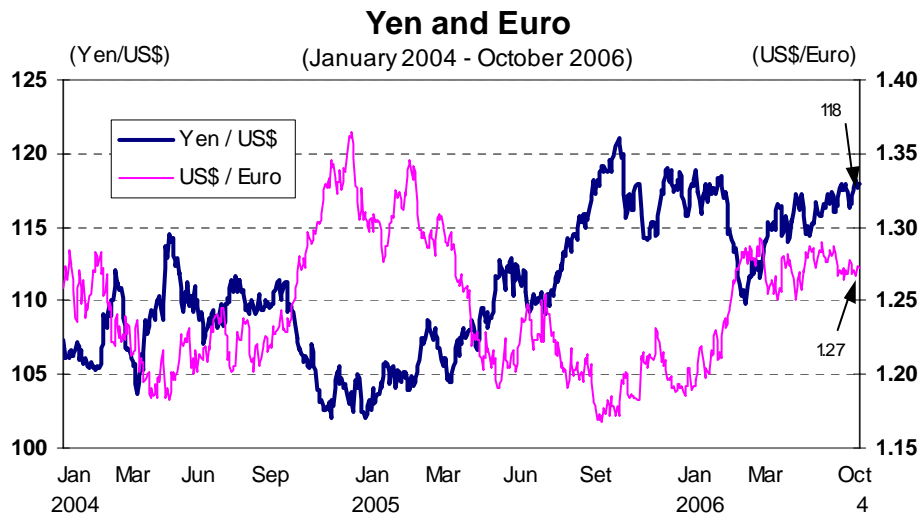
Continuing with this tendency, as of **October 4**, the WTI oil price descended to US\$ 59.4 per barrel, the minimum in 7 months, owed to the continued increment of the inventories, nevertheless this was attenuated because some members of OPEC (Nigeria and Venezuela) would have decided to reduce voluntarily their exports.

On the other hand, the U. S. Department of Energy reported that the domestic stock of crude oil grew in 3.3 million barrels to 328.1 million (against the forecasts of a reduction of 500 thousand barrels), while the gasoline supply was elevated in 1.2 million barrels to 215.1 million.

So far October dollar depreciates against the euro

During **September**, in average terms, the **dollar** was appreciated 0.6 percent against the **euro** and 1.1 percent against the **yen**. In the first half of the month, the dollar was maintained stable after the government reported increments of labor unit costs; nevertheless, it was affected by the Federal Reserve decision to maintain its reference rate at 5.25 percent by second consecutive meeting. In turn, the euro was affected by the 1.3 percent fall in the industrial production of France and the August inflation in the euro zone (0.2 percent in line with it expected) that reduced the expectations of the reference rate elevation in the next months. On the other hand, the yen lost ground during the month due to the lower expectations of an additional adjustment of the Bank of Japan's rate this year.

So far in **October**, the dollar depreciated slightly against the euro (0.3 percent) and against the yen (0.2 percent). The dollar lost ground because of the high expectations of a Federal Reserve interest rate reduction before the year ends (comments of some Federal Reserve staff members on the confidence that the inflation is being controlled and the ISM manufacturing index grew at the lowest rate since May 2005).

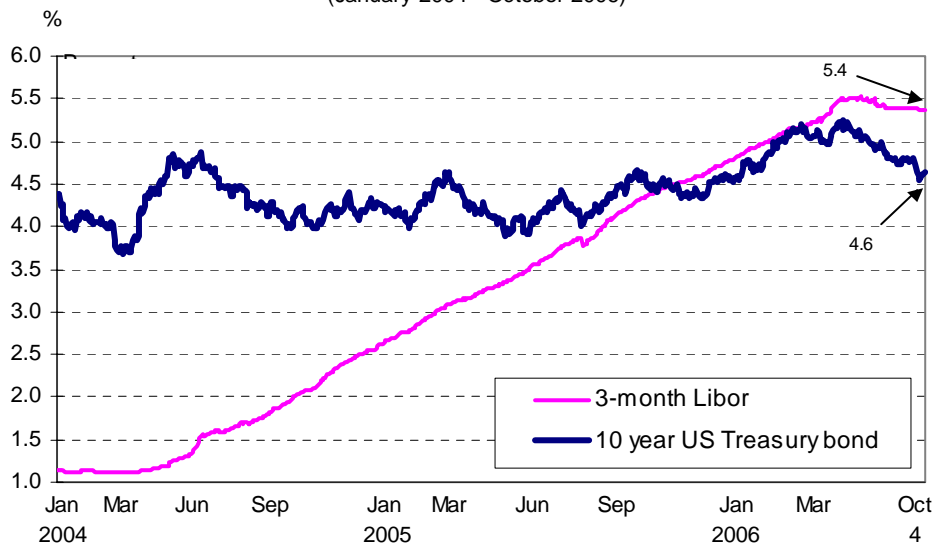


Yield of 10-year US Treasuries fell to 4.56 percent

In **September**, the **3-month Libor** diminished from 5.42 to 5.38 percent and the yield of **10-year US Treasuries** descended from 4.87 to 4.71 percent due to the negative indicators of the real estate and construction sectors and the smaller expectations of inflation (increase of 0.1 of the producer price index, below expectations) fortifying the agents perception that the Federal Reserve will maintain invariable its interest rate in the year.

As of **October 4**, the 3-month Libor was 5.37 percent and the yield of 10-year US Treasuries 4.56 percent. The smaller fears about a deceleration of the United States, added to the consumer core inflation of August (that was corrected downward from 2.8 to 2.7 percent) maintained high expectations of a Federal Reserve cut in its reference rate before the end of year.

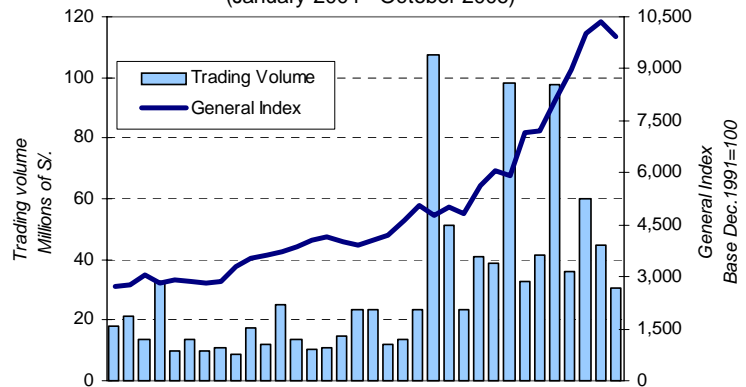
Libor and yield of 10-year matured US Treasury bonds
(January 2004 - October 2006)



Lima Stock Exchange fall 4.5 percent as of October 4

In **September**, the **General** and **Blue Chip** indices of the Lima Stock Exchange (LSE) increased in 3,8 and 2.9 percent, respectively, prompted by the good performance of the economy, especially of the construction and electricity sectors. Nevertheless, the context of falls in the prices of the precious and basic metals affected the mining shares, carrying to a yield reduction registered in this month in comparison to previous months.

Lima Stock Exchange Indicators
(January 2004 - October 2006)



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