



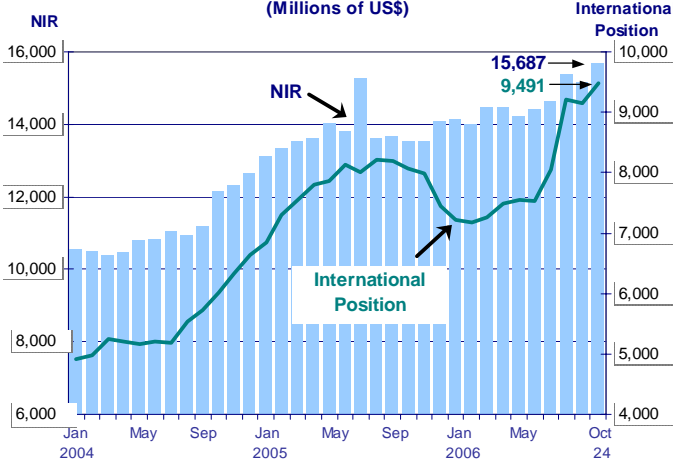
Indicators

- Average interbank interest rate at 4.50%.
- International reserves: US\$ 15,687 million.
- Average exchange rate at S/. 3.23.
- Country risk dropped to 142 basis points.
- Lima Stock Market grew 3.3 percent.

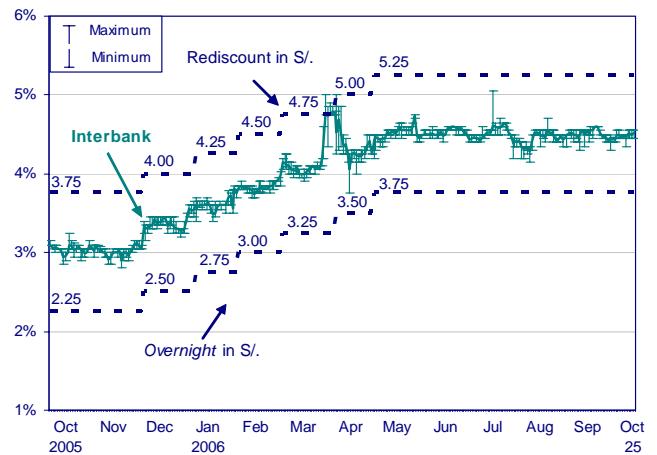
Content

- Average interbank interest rate as of October 25: 4.50 percent x
- Corporate prime rate in soles decreases to 5.31 percent x
- International reserves at US\$ 15,687 million as of October 24 xi
- Exchange rate at S/. 3.23 per dollar xi
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- Lima Stock Exchange grew 3.3 percent xix

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



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



Central Reserve Bank of Peru

News

- Press Release: Statement by an IMF Staff Mission in Peru
- Weekly Report No 42-2006
- Informative note on the Monetary Program: October 2006
- International Reserves: Composition and Performance - August 2006
- The development of China's Export Performance

Monetary and Exchange Operations

22/10/2006
02:00 p.m. The Central Bank bought US\$ 20 million, at an average exchange rate of S/. 3.2173 per dollar.
01:00 p.m. Auction sales of 1-week CDBCRP amounting to S/. 50 million at an average interest rate of 4.52 percent.
11:30 a.m. The initial liquidity of the banking system was in S/. 170 million. The BCRP announced a 1-week CDBCRP auction sales to S/. 50 million. (see more)

Monetary Policy

- Inflation Report: Recent trends and macroeconomic

Publications

- Weekly report
- Annual report 2004

Interbank Exchange Rate (S/. per US\$)

Oct 27	Oct 26
Maximum: 3.2250	3.2250
Average: 3.2203	3.2269
Minimum: 3.2170	3.2260
Source: BCRP	

Interbank Interest Rate (in S/.)

Oct 27	Oct 26
11:00 AM: 4.50%	4.50%
Close day: 4.50%	4.50%
Acc. month: 4.50%	

Domestic Demand and Terms of Trade

Our website

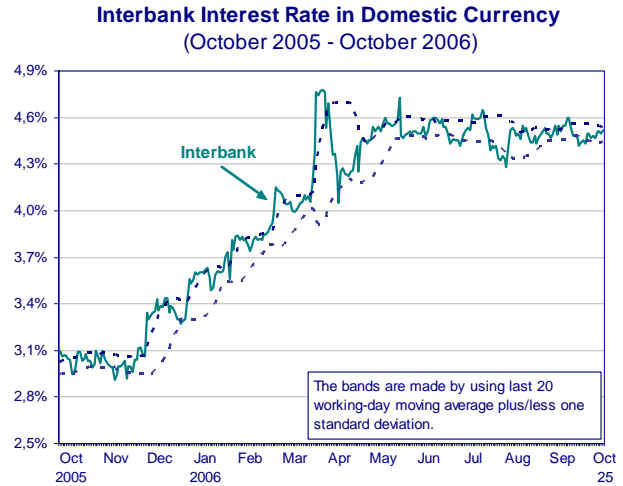
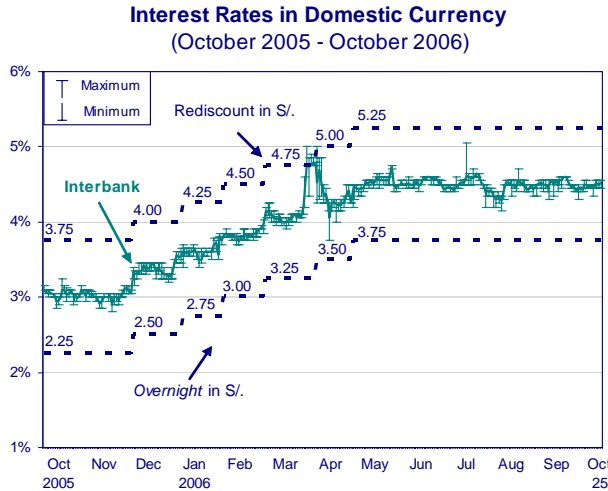
<http://www.bcrp.gob.pe/bcr/ingles/>

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Average interbank interest rate as of October 25: 4.50 percent

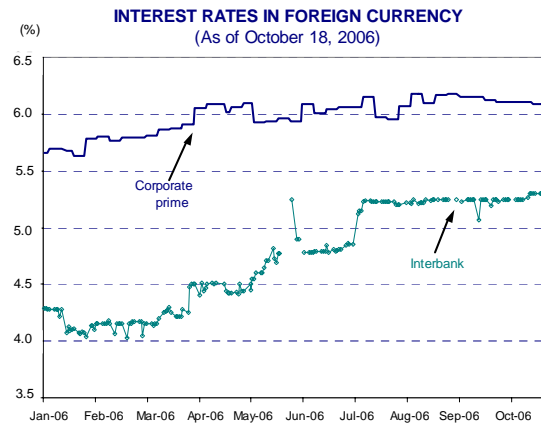
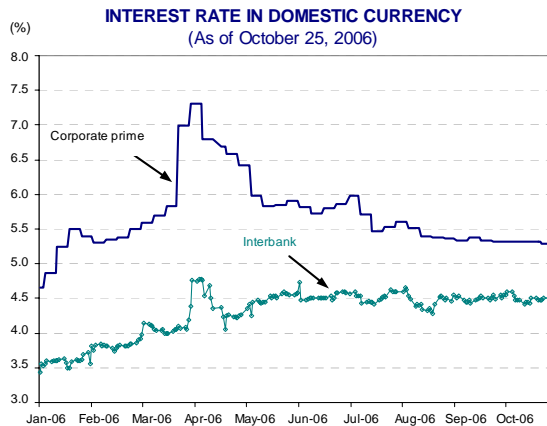
The average interbank interest rate in domestic currency increased from 4.48 percent to 4.52 percent between **October 18 and 25**. In this period, the daily average interbank interest rate fluctuated between 4.47 and 4.52 percent. As of October 25, the average monthly interbank interest rate is 4.50 percent, decreasing slightly with respect to the monthly average rate in September (4.51 percent).

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	4.51	0.04
October 25	4.50	0.04



Corporate prime rate in soles decreases to 5.31 percent

In the **October 18 - 25** period, the daily average of the 90-day corporate prime rate in soles decreased from 5.32 percent to 5.29 percent, while this rate in dollars decreased from 6.09 to 6.07 percent. As of October 25, the corporate prime rate in soles decreased from 5.34 in September to 5.31 percent.



Monetary operations

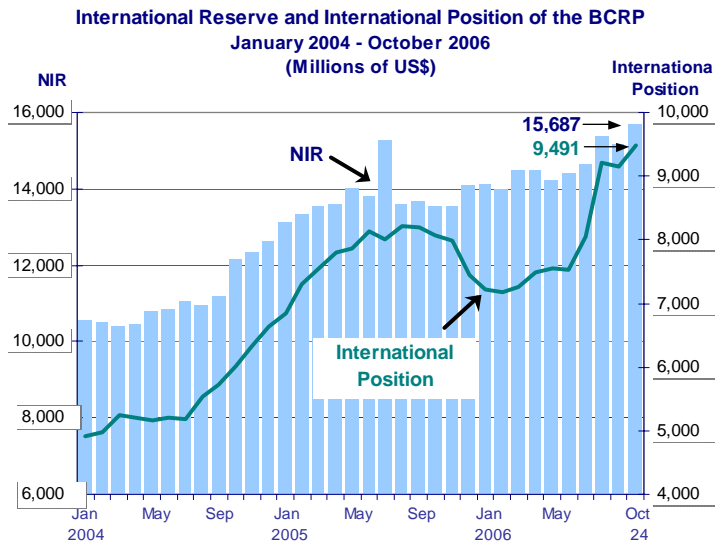
From **October 19 to October 25**, the Central Bank made the following monetary operations:

- i) Auctions of BCRP Certificates of Deposits with 1-day, 1-week, 6-month and 12-month maturities for a daily average of S/. 357.7 million. The average interest rate on these operations ranges between 4.34 and 5.47 percent.

- ii) Purchases of foreign currency at the Central Bank's Front Office for a total of US\$ 270.1 million, at an average exchange rate of S/. 3.2268 per dollar;
- iii) Sales of foreign currency to the Public Treasury for US\$ 60 million; and
- iv) Overnight deposits in domestic currency for S/. 172.5 million.

International reserves at US\$ 15,687 million as of October 24

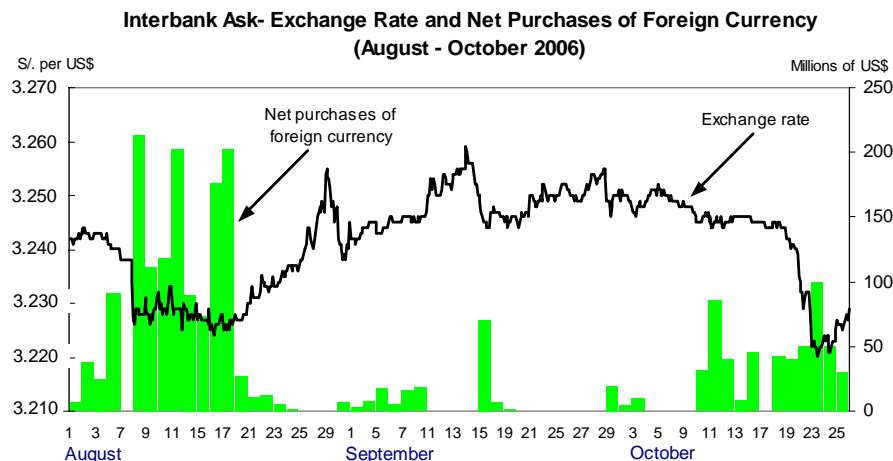
As of **October 24**, net international reserves (NIRs) amounted to US\$ 15,384 million, having increased US\$ 515 million with respect to the close of September. This outcome was mainly due to banks' net purchases of foreign currency (US\$ 506 million), higher deposits from the financial entities and the public sector (US\$ 102 million and US\$ 52 million respectively), and to higher investment yield (US\$ 10 million). This result was offset by sales of foreign currency for repayment of the external public debt (US\$ 120 million) and by lower prices for gold (US\$ 39 million).



So far this year, NIRs have increased US\$ 1,590 million. As of October 24, the **international position of the BCRP** (US\$ 9,491 million) recorded an increase of US\$ 2,041 million with respect to the close of 2005.

Exchange rate at S/. 3.23 per dollar

Between **October 18 and 25**, the ask price of the interbank exchange rate decreased from S/. 3.244 to S/. 3.229 per dollar. This evolution in the exchange rate was mainly associated with the supply of forward operations (especially from non-residents), public's supply to spot market operations, and with the reduction of banks' foreign exchange position, within a context where the country risk is decreasing and a period of tax payments is taking place. In this period, the Central Bank intervened in the exchange market purchasing US\$ 312 million in the BCRP front desk (out of a total of US\$ 506 million purchased during the month). In addition to this, the BCRP sold US\$ 60 million to the Public Treasury, thus accumulating sales for a total of US\$ 120 million in the month.



As of October 24, net forward sales decreased by US\$ 318 million, and banks' exchange position has decreased by US\$ 34 million with respect to the close of September.

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

	December 2005	March	Jun	July	August	September	October 24
a. Net sales to the public (i-ii)	1,027	1,579	1,706	1,457	815	860	542
i. Forward sales to the public	1,813	2,426	2,387	2,149	2,127	2,020	1,977
ii. Forward purchases to the public	785	847	681	692	1,312	1,160	1,434
b. Bank's exchange position	480	581	450	449	366	383	349

Economic Surplus of S/. 4 million in September 2006

In the period October 2005 – September 2006, central government operations accumulated a primary surplus of S/. 8,397 million (S/. 3,774 million in the period October 2004 – September 2005). This result is explained by higher current revenues, which increased by S/. 10,281 million (26 percent), while non-financial expenditure increased by S/. 5,698 million (16 percent). Accumulated interests grew 19 percent, as a result of which the economic surplus amounted to S/. 2,923 million. This result contrasts with the deficit of S/. 811 million recorded in the October 2004 – September 2005 period.

CENTRAL GOVERNMENT OPERATIONS
(Millions of Nuevos Soles)

	Monthly data			12-month period			C/A	C/B
	September			Oct 2004	Sep 2005	Oct 2005		
	2005	2006	% Chg	Sep 2005	Aug 2006	Sep 2006		
			A	B	C			
1. CURRENT REVENUES	3,443	3,966	15.2	39,597	49,356	49,878	26.0	1.1
A. TAX REVENUE	2,940	3,421	16.4	34,447	42,791	43,272	25.6	1.1
B. NON TAX REVENUE	503	544	8.2	5,149	6,565	6,606	28.3	0.6
2. NON-FINANCIAL EXPENDITURE	3,281	3,660	11.6	36,149	41,468	41,847	15.8	0.9
A. CURRENT EXPENDITURE	2,754	2,944	6.9	31,806	36,225	36,415	14.5	0.5
B. CAPITAL EXPENDITURE	527	716	35.9	4,343	5,243	5,433	25.1	3.6
3. CAPITAL REVENUES	16	15	-2.2	327	366	366	11.9	-0.1
4. PRIMARY BALANCE	178	321		3,774	8,254	8,397		
5. INTEREST PAYMENTS	338	317	-6.2	4,585	5,495	5,474	19.4	-0.4
6. OVERALL BALANCE	-160	4		-811	2,759	2,923		
7. NET FINANCING	160	-4		811	-2,759	-2,923		
1. External	-341	-44		-22	-2,368	-2,071		
A. Disbursements	87	382		9,962	4,035	4,331		
B. Amortizations	-428	-427		-9,984	-6,403	-6,402		
2. Domestic	498	34		582	-682	-1,146		
3. Privatization	3	7		251	291	294		

* To avoid volatility, the monthly series of this chart presents the annual accumulated output. The monthly series are in the Weekly Note.

In September, in contrast to the S/. 160 million deficit posted in that same month last year, central government operations recorded an economic surplus of S/. 4 million. Likewise, the primary result was positive in S/. 321 million, a sum S/. 143 million higher than the one recorded in September 2005 (S/. 178 million). This result was due to the higher growth of current revenues (15 percent) relative to the evolution of non-financial expenditure (12 percent). On the other hand, interests in September (S/. 317 million) were 6 percent lower.

The current revenues of the central government (S/. 3 966 million) increased 15 percent with respect to the same period in 2005, an outcome explained basically by the evolution of tax revenues (S/. 3,421 million), which increased 16 percent. This growth is explained by higher revenues on account of Income Tax (66 percent), Value-added Tax from imports-VAT- (10

percent), Excise Tax -ISC- (17 percent), the Tax on Financial Transactions -ITF- (24 percent), and the Temporary Tax on Net Assets -ITAN- (21 percent). However, these revenues were partly offset by a lower collection of the excise tax on fuels (11 percent), of Import duties (13 percent) and VAT (7 percent). It should be pointed out that the decrease in the case of VAT is explained because an extraordinary payment of S/. 155 million was made in September 2005 by a firm operating in the hydrocarbon sector. If this payment is not considered, the domestic VAT increases by 10 percent to a level consistent with the positive evolution exhibited by indicators on productive activity.

In general terms, the positive evolution of tax revenues is associated with the expansion of economic activity, the rise in the international prices of our raw materials and the growth of imports, effects that were partially offset by the elimination of tariffs on crude and derivatives since January 2006 and by the continuous reductions of the excise tax on fuels during this year (two reductions in the month of April and one in August). On the other hand, **non-tax revenues** (S/. 544 million) increased by 8 percent due to higher revenues on account of oil and gas royalties and related taxes (*canon*), reflecting the higher international prices of crude.

In September, non-financial expenditure (S/. 3,660 million) was S/. 379 million higher than that of September 2005, which represented a 12 percent increase in nominal terms. By group of expenditure, this increase is explained by both higher non-financial current expenditure (S/. 190 million) and by higher capital expenditure (S/. 189 million). By line of spending, transfers and wages & salaries increased 15 and 10 percent respectively, while expenditure in goods and services declined by 8 percent.

The increase recorded in transfers is mainly explained by higher allocations to local governments, while the higher spending in terms of wages and salaries reflects the salary increases produced over the last twelve months which favored teachers and administrative staff in the education sector, health professionals, university professors and other staff in public universities, and military and police staff. On the other hand, the lower spending in goods and services is associated with a decrease in the expenditure of the Ministry of Defense and the National Food Program (Pronaa) that depends on the Ministry on Women's Issues. It should also be pointed out that the increase recorded in capital expenditure is mainly explained by a capital contribution of S/. 130 million to the Banco Agropecuario and, to a lesser extent, by gross capital formation (S/. 384 million) which was 7 percent higher than that of September 2005.

Financial expenditure (S/. 317 million) was S/. 21 million lower than in September 2005, basically due to the lower servicing of the internal debt (S/. 15 million) through Sovereign Bonds.

External financing was negative in S/. 44 million (US\$ 13 million) as a result of disbursements for a total of US\$ 118 million and amortizations for a total of US\$ 131 million. **Domestic financing**, on the other hand, **was positive in S/. 34 million.**

Monetary base as of October 22, 2006

The balance of the **monetary base** as of October 22 (S/.11,634 million) increased 0.4 percent (S/. 48 million) with respect to the close of September. In average terms, the monetary base grew at an annual rate of 13.3 percent in this period (13.7 percent in September).

By sources, operations contributing most heavily to the expansion of the monetary base included purchases of foreign currency at the Front Desk of the Central Bank (US\$ 356 million, or S/. 1,155 million) and banks' lower overnight deposits (S/. 142 million). Conversely, the monetary base contracted due to sales of foreign currency to the public sector (US\$ 120 million, or S/. 389 million), net placements of BCRP Certificates of Deposit (S/. 311 million), and lower temporary purchases of securities (S/. 264 million).

Monetary accounts of the Bank System as of September 30, 2006

In September, liquidity in **domestic currency** increased by 0.7 percent (S/. 226 million) and reached a balance of S/. 30,306 million (annual growth of 7.3 percent). In terms of monetary aggregates components in soles, currency in circulation and deposits grew 15.6 and 12 percent respectively over the last 12 months, an evolution that was offset by the reduction of holdings of BCRP Certificates of Deposit by the private sector (66.7 percent). Credit to the private sector in domestic currency increased by 2.4 percent (S/. 413 million), thus totaling S/. 17,877 million (annual growth of 36.0 percent).

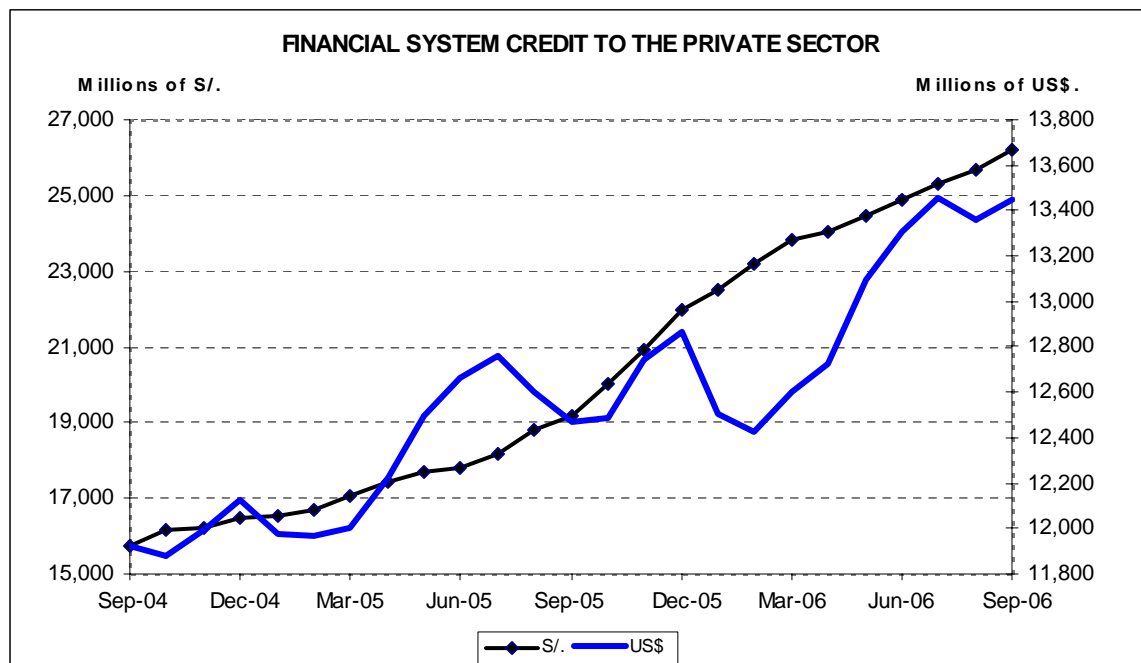
Liquidity in **foreign currency** decreased 0.1 percent (US\$ 8 million), reaching a balance of US\$ 11,075 million (annual growth of 9.9 percent). Credit to the private sector in foreign currency increased 0.8 percent (US\$ 90 million), thus totaling US\$ 10,765 million (annual growth of 6.0 percent).

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
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%	0.3%
May.	-1.6%	15.5%	-1.2%	3.9%	0.5%	37.0%	-2.1%	9.4%	1.1%	-27.7%	3.7%	2.1%
Jun.	2.3%	16.0%	0.9%	2.5%	2.1%	38.8%	-0.2%	10.0%	-0.6%	-25.1%	2.0%	2.6%
Jul.	8.0%	11.7%	2.8%	1.8%	1.4%	38.0%	1.4%	12.1%	-15.3%	-40.1%	0.4%	2.4%
Aug.	-4.2%	12.8%	2.1%	5.9%	1.5%	35.5%	-0.3%	11.6%	-0.2%	-37.1%	-0.9%	3.7%
Sep.	0.9%	13.9%	0.7%	7.3%	2.4%	36.0%	-0.1%	9.9%	-10.4%	-37.5%	0.8%	6.0%
Memo:												
Balance as of Aug. 31 (Mill.S/. or Mill.US\$)	11,487		30,081		17,464		11,083		578		10,675	
Balance as of Sep. 30 (Mill.S/. or Mill.US\$)	11,586		30,306		17,877		11,075		518		10,765	
1/ Short term external liabilities of banking enterprises.												

Furthermore, indicators of financial dollarization in the banking system maintained similar positions as those recorded in August. Thus, the dollarization ratio of liquidity in the banking system as of end-September was 54 percent, while the indicator of dollarization of credit to the private sector was 66 percent.

Credit to the private sector

Credit to the private sector in domestic currency increased 2.1 percent (S/. 527 million) in September, which represented a 12-last month growth of 36.5 percent (S/. 7,011 million). In foreign currency, credit to the private sector grew 0.7 percent (US\$ 88 million), which in annual terms represented a growth of 7.8 percent (US\$ 974 million).



Banks account for the 2.7 percent expansion of credit in soles recorded during the month of September, which amounted to S/. 369 million. This outcome was mainly due to an increase in commercial (S/. 271 million), consumer (S/. 136 million) and mortgage loans (S/. 43 million). The evolution of commercial loans is mainly associated with increased credit for the sectors of transport, storage and communications (S/. 127 million), commerce (S/. 102 million) and utilities (power, gas and water) (S/. 83 million). It is worth highlighting that between January and September, mortgage loans in soles from banks increased reaching a total of S/. 336 million. Likewise, a 3.1 percent increase was also observed in the loans granted by institutional investors (S/. 109 million) and a 1.5 percent increase was observed in the loans granted by microfinance institutions (S/. 103 million).

FINANCIAL SYSTEM CREDIT TO THE PRIVATE SECTOR IN LOCAL CURRENCY

	Millions of S/.			Percentage change	
	Sep 05	Aug 06	Sep 06	Sep.06/ Sep.05	Sep.06/ Aug.06
Commercial banks 1/	9,751	13,652	14,021	43.8	2.7
Banco de la Nación	1,197	1,361	1,333	11.4	-2.1
Banco de la Nación	5,202	6,707	6,810	30.9	1.5
Microfinance institutions	1,348	1,724	1,749	29.8	1.4
Banks (microfinance credits)	1,662	2,136	2,195	32.1	2.8
Local government S&Ls	308	414	423	37.6	2.2
Rural S&Ls	598	682	682	14.0	--
Cooperatives	284	450	469	64.9	4.2
Edpymes	1,002	1,301	1,292	28.9	-0.7
Institutional Investors 2/	2,736	3,528	3,637	32.9	3.1
AFPS	1,621	2,477	2,523	55.6	1.9
Insurance companies	796	687	687	-13.7	--
Mutual funds	319	364	427	33.8	17.2
Leasing companies and others	309	432	406	31.2	-6.1
Total Financial System	19,196	25,680	26,207	36.5	2.1

1/ Excludes microfinance credits.

2/ Mainly securities issued by the private sector.

On the other hand, the expansion of credit in dollars was accounted for by banks (0.6 percent or US\$ 62 million), by increased holdings of bonds by institutional investors (1.3 percent or US\$ 23 million), and by microfinance institutions (2 percent or US\$ 17 million).

FINANCIAL SYSTEM CREDIT TO THE PRIVATE SECTOR IN FOREIGN CURRENCY

	Millions of US\$			Percentage change	
	Sep.05	Aug.06	Sep.06	Sep.06/ Sep.05	Sep.06/ Aug.06
Commercial banks 1/	9,743	10,205	10,267	5.4	0.6
Banco de la Nación	22	22	22	-0.9	0.3
Microfinance institutions	735	840	857	16.7	2.0
Banks (microfinance credits)	147	187	193	31.3	3.4
Local government S&Ls	280	318	325	16.3	2.4
Rural S&Ls	54	54	54	-0.0	0.4
Cooperatives	166	181	181	9.2	-.-
Edpymes	53	57	59	11.1	3.0
Financial companies	35	43	44	27.9	2.9
Institutional investors 2/	1,302	1,693	1,716	31.7	1.3
AFPS	686	853	871	27.1	2.1
Insurance companies	103	169	169	65.2	-.-
Mutual funds	514	670	675	31.3	0.7
Leasing companies and others	669	597	584	-12.7	-2.2
Total Financial System	12,471	13,357	13,445	7.8	0.7

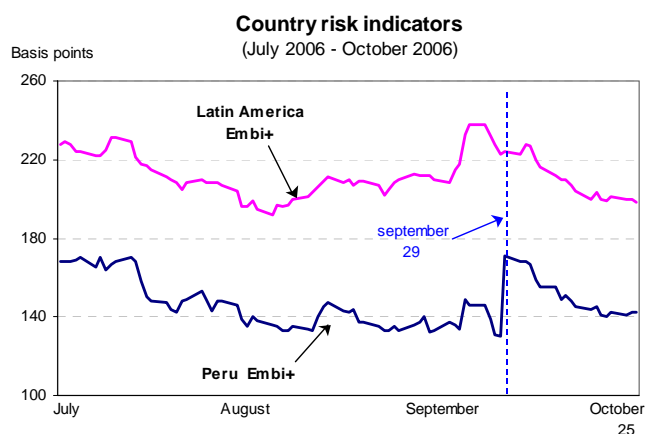
1/ Excludes microfinance credits.

2/ Mainly securities issued by the private sector.

International Market

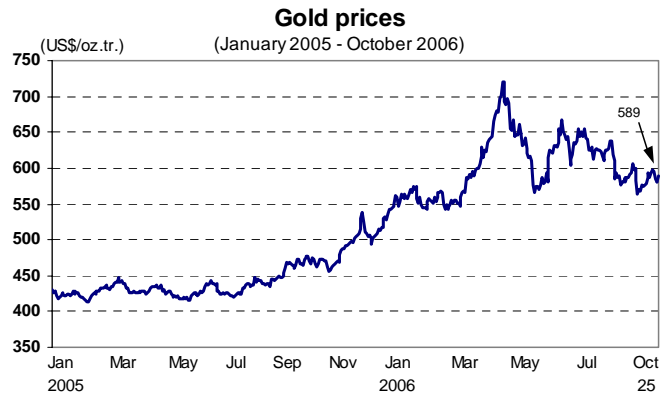
Country risk at 142 basis points

Between October 11 and 18, the country risk, measured by the **EMBI+ Peru** spread increased slightly from 141 to 142 basic points following the tendency of the emerging economies. Lower uncertainty in connection to the policy measures that the Federal Reserve will implement after the FED decided to maintain its interest rate at 5.25 percent would reorient capitals towards emerging markets.

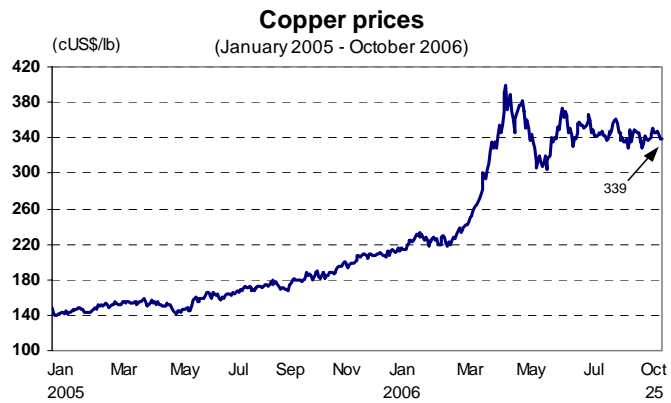


Metal quotations

Between October 18 and 25, the quotation of **gold** decreased 0.9 percent to US\$ 588.7 per troy ounce due to a profit-take by speculative investors, explained by a higher volatility of the dollar. Likewise, lower purchases of this metal by mining companies to cover their future sales –operations usually made prior to the actual extraction of metal– prompted the fall of the price, even though this was compensated by a higher demand from the jewelry industry in Asia (especially in India).



In the same period, the price of **copper** showed a decrease of 1.8 percent to US\$ 3.39 per pound. This evolution is explained by the recovery of inventories at the London Metal Exchange, which increased 13.4 percent to 124 thousand MT, and also coincided with reports indicating that sales of already built houses in the U.S.A. had fallen 1.9 percent in September.

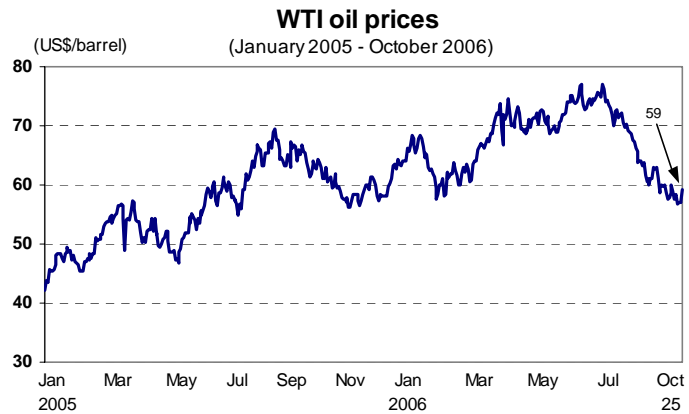


On the other hand, worker unions of Codelco North (Codelco's largest division) initiated negotiations with the firm to come to an earlier agreement that would allow decreasing tensions regarding the supply of the red metal.

In October 18 to 25, the price of **zinc** increased 2.3 percent to US\$ 1.81 per pound due to the continuous reduction of inventories of this metal at the LME. This 8 percent reduction brought inventoried down to 115,650 MT during the week, the lowest level of inventories over the past 15 years. The price of zinc also rose to record levels in London due to speculations that the demand for this metal –used to manufacture galvanized steel– would outpace its current supply (a deficit of 420 thousand MT is forecast by the Societe Generale for this year).



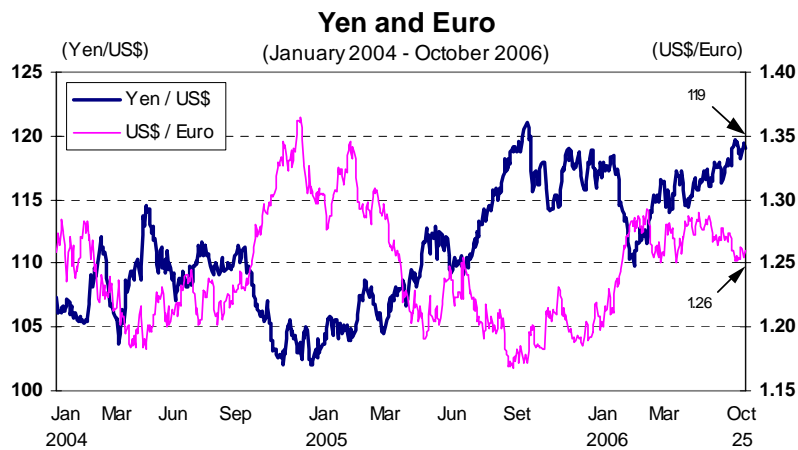
Between October 18 and 25, the quotation of **WTI oil** increased 1.6 percent to US\$ 59.1 per barrel due to the decrease of the crude oil inventories (1.34 million barrels/day) and gasoline (1.4 million barrels/day) in the United States. Another factor contributing to this evolution was OPEC's decision to cut its daily production quotas by 1.2 million barrels, a considerably much higher cut than the one expected in the market (1 million barrels per day).



Likewise, the speculation of an icier than expected weather in the United States, which would cause a reduction in the heating oil inventories before the winter, contributed to maintain prices in an upward trend.

Dollar depreciates against the euro

In the period of analysis, the **dollar** recorded a depreciation of 0.6 percent against the **euro** and an appreciation of 0.2 percent against the **yen**. The Federal Reserve decided to maintain its interest rate at 5.25 percent for the third consecutive month. In addition to this, the FOMC statement pointed out that the FED is confident that lower energy prices and the slowdown of growth will have a positive impact on inflationary pressures. Moreover, the euro was strengthened in the Eurozone due to unexpected increases recorded in the business and consumer confidence indices in Germany in October.

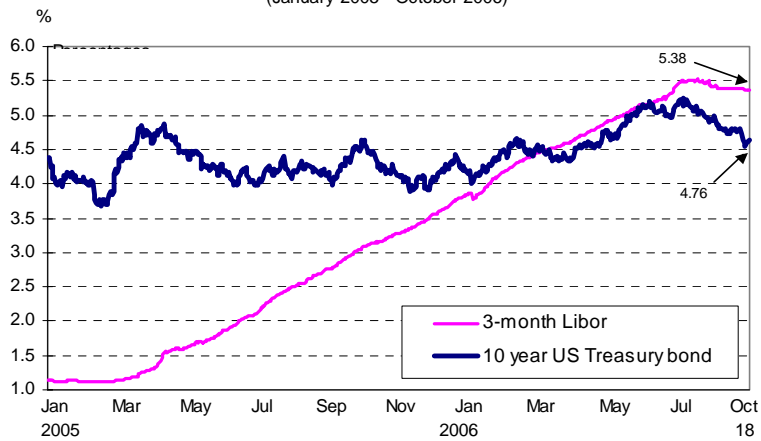


Yield on 10-year US Treasuries increased to 4.763 percent.

Between October 18 and 25, the **3-month Libor** increased slightly from 5.37 percent to 5.38 percent, while the **yield on the 10-year US Treasuries** increased from 4.756 to 4.763 percent. The lower expectations that the Federal Reserve would cut its rates prompted the yield on the 10-year US Treasuries to increase to 4.830 percent during the first days of the week. Nevertheless, on October 25 this yield registered a strong drop after a report showed that the sales of existing houses had fallen more than expected. This trend was reinforced by the price fall recorded in the sale of new houses.

3-month Libor and yield on 10-year US Treasury bonds

(January 2005 - October 2006)

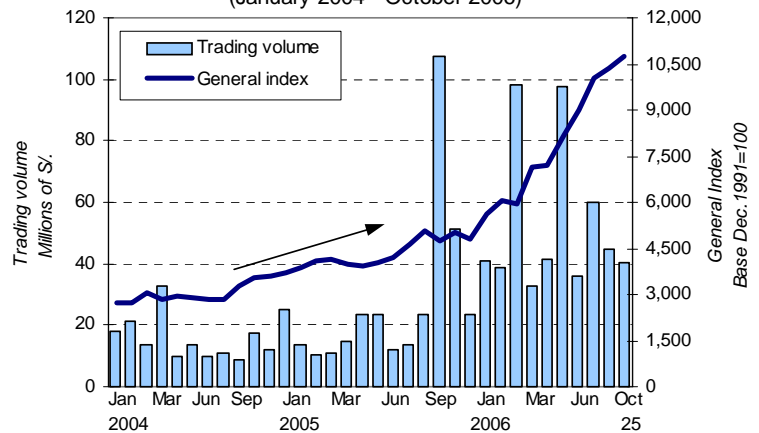


Lima Stock Exchange grew 3.3 percent

As of October 25, the **General** and **Blue Chip** indices of the Lima Stock Exchange (LSE) increased 3.3 and 2.2 percent respectively. During the week, the LSE recorded mild profits due to volatility in the prices of basic and precious metals and to investors' concern regarding the elimination of tax exemptions for stock profits at the end of the year.

Lima Stock Exchange Indicators

(January 2004 - October 2006)



On the other hand, the decision of the Federal Reserve to maintain its short-term reference interest rate at 5.25 percent encourages the capital inflow into the stock market.

So far this year, the **General** and **Blue Chip** Indices at the Lima Stock Exchange have accumulated gains for 123.5 and 143.8 percent respectively.

