



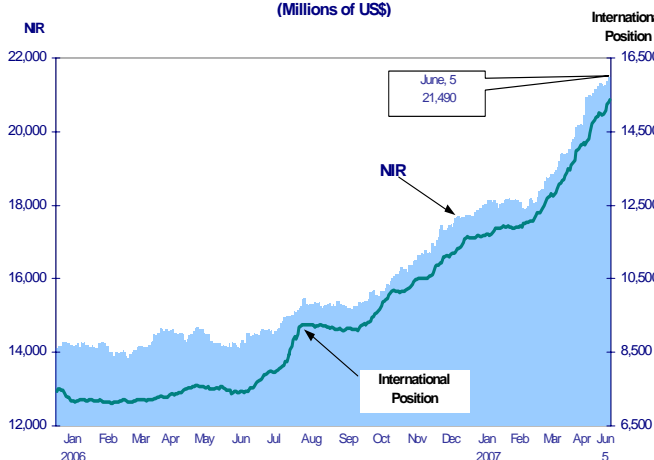
Indicators

- NIRs at US\$ 21,490 million on June 5.
- Exchange rate: S/. 3.171 per dollar.
- Interbank interest rate: 4.49 percent.
- 0.49 percent inflation in May.
- Trade surplus of US\$ 598 million in April.
- Country risk at 103 bps. on June 6.
- Lima Stock Exchange grew 4.6 percent as of June 6.

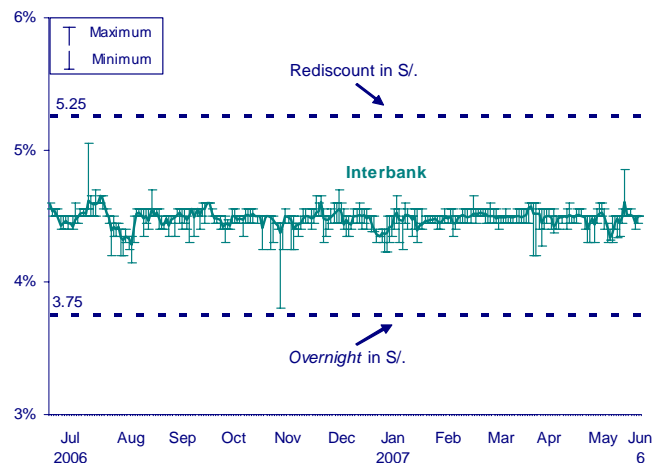
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International Reserve and International Position of the BCRP
January 2006 - June 2007
(Millions of US\$)



Interest Rates in Domestic Currency
(July 2006 - June 2007)



News

- Weekly Report N° 22-2007
- International Reserves Management: April 2007
- Informative note on the Monetary Program: May 2007
- Monetary Policy in a Dual Currency Environment
- Monetary Policy, Regime Shifts, and Inflation Uncertainty in Peru (1949-2004)
- Dollarization Persistence and Individual Heterogeneity
- Quarterly Charts

Indicator	Jun.06	Jun.05
Inflation (12-month)	0.94	May 2007
Core Inflation	1.31	May 2007
Policy Interest Rate	4.50	May 2007

Interbank Exchange Rate (S/ per US\$)

Indicator	Jun.06	Jun.05
Maximum	3.1710	3.1710
Average	3.1698	3.1693
Minimum	3.1690	3.1680
Source	Datatec	
12-m. % change	-2.74	-2.75
Source	BCRP	

Interbank Interest Rate in S/

Indicator	Jun.06	Jun.05
11:00 AM	4.50%	4.50%
Close Day	4.50%	4.50%
Acc. month	%	4.48%

Monetary and Exchange Operations

96/06/2007
7:00 p.m. The average interbank market interest rate in domestic currency was 4.50 percent, equal to the previous day. The balance of banks' current account at the BCRP at the close of the day amounted to S/. 410.8 million, while this balance was S/. 259.1 million before the BCRP made its monetary operations. These operations included: CDBCRP auctions of 2-year for a total S/ 50 million, 5-year for a total S/ 70 million, a 6-month for a total S/ 70 million, a 3-day for a total S/ 10 million; and purchases of foreign currency for a total of US\$ 10 million.

1:45 p.m. Auction sales of 1-day, CDBCRP amounting to S/. 2 010 million at an average interest rate of 4.51 percent.

1:30 p.m. The Central bank bought US\$ 10 million, at an average

Our website

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

- Informative note on the Monetary Program: June 2007
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Changes in the tables of our section on the Exchange Rate

As of this Weekly Economic Report, the data on our main trading partners will be updated for the purpose of calculating the real multilateral exchange rate and a new table with data on the exchange rate of the nuevo sol against the currencies of our main trading partners will also be included.

As of this Weekly Economic Report, the weight of our main trading partners is updated to reflect the structure of Peru's main trading partners since 2005: Germany, Argentina, Belgium, Brazil, Canada, Chile, China, Colombia, South Korea, Ecuador, Spain, the United States, Switzerland, Italy, Japan, Mexico, the Netherlands, the United Kingdom, Taiwan and Venezuela.

The multilateral exchange rate (MER) is obtained by multiplying the nominal exchange rate of the nuevo sol against the currencies of our main trading partners (nuevo sol/basket of currencies) by the external inflation/Peru's CPI ratio. External inflation is equal to the weighed average of the inflation rates of our trading partners.

December 2001 has been established as the base year for the real multilateral exchange index in order that the base year is compatible with the one used by the Instituto Nacional de Estadística e Informática to elaborate the consumer price index.

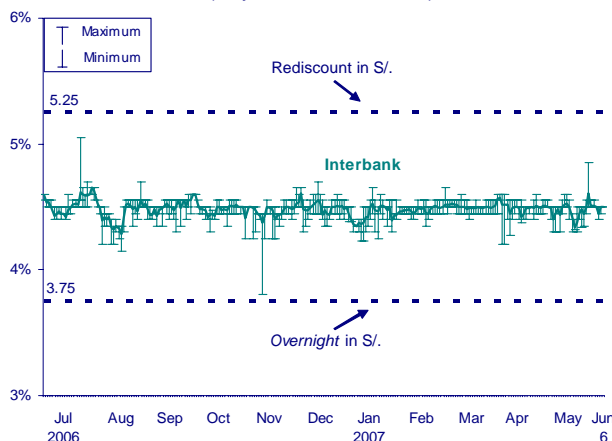
Moreover, a new table with information on the exchange rate of the nuevo sol against the currencies of our main trading partners and against the basket of these currencies has also been included to reflect the evolution of exchange of our domestic currency against the average value of the currencies of our main trading partners.

Average interbank interest rate at 4.49 percent

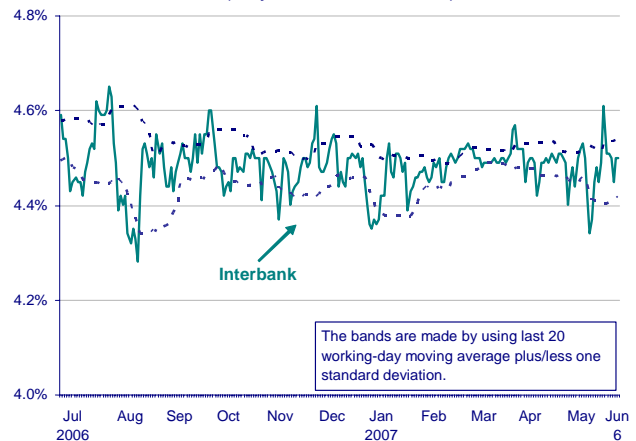
The average interbank interest rate in domestic currency as of June 6 was 4.49 percent, the same rate as in May. Between May 30 and June 6, this rate fell from 4.51 to 4.50 percent.

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
September	4.51	0.04
October	4.50	0.04
November	4.48	0.04
December	4.51	0.04
January 2007	4.47	0.06
February	4.48	0.02
March	4.50	0.01
April	4.51	0.03
May	4.49	0.06
Jun 6	4.49	0.03

Interest Rates in Domestic Currency
(July 2006 - June 2007)



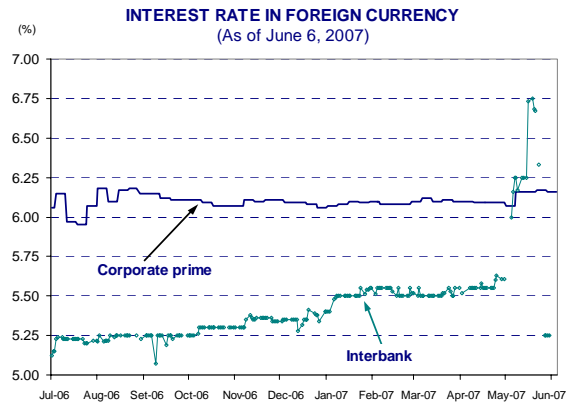
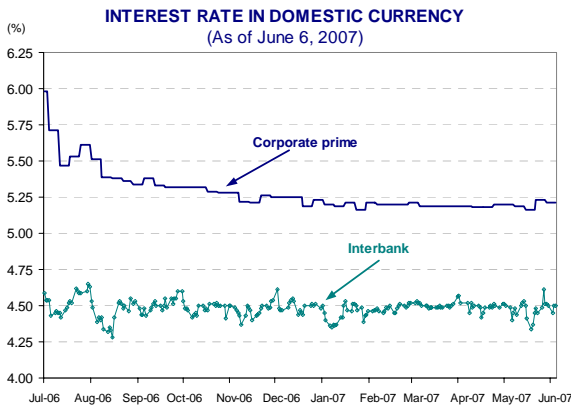
Interbank Interest Rate in Domestic Currency
(July 2006 - June 2007)



The bands are made by using last 20 working-day moving average plus/less one standard deviation.

Corporate prime rate in soles dropped to 5.21 percent

Between **May 30 and June 6**, the daily average of the 90-day corporate prime rate in domestic currency fell from 5.23 to 5.21 percent, while this rate in dollars fell from 6.17 to 6.16 percent.



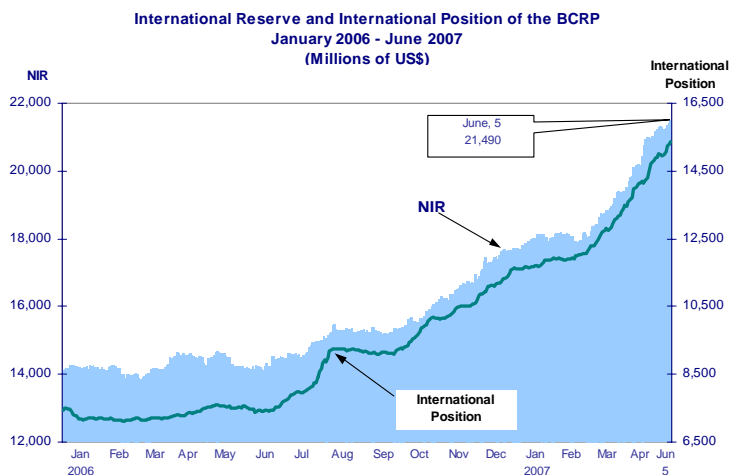
Monetary operations

From **May 31 to June 6, 2007**, the Central Bank made the following monetary operations:

- i) auctions of BCRP Certificates of Deposit with 1-day, 3-day, 6-month, 1-year and 2-year maturities for a daily average of S/. 1,822.7 million. Average interest rates on these operations ranged between 4.47 and 5.49 percent;
- ii) purchases of foreign currency for a total of US\$ 297.5 million, at an average exchange rate of S/. 3.171 per dollar;
- iii) overnight deposits in domestic currency for a total of S/. 96.5 million.

International reserves amounted to US\$ 21,490 million on June 5

As of **June 5**, net international reserves (NIRs) increased by US\$ 219 million relative to end May and totaled US\$ 21,490 million. This increase in the balance of NIRs was mainly due to BCRP exchange operations (US\$ 258 million) and to higher prices for other securities (US\$ 28 million). This result was offset by lower deposits from both the financial sector (US\$ 56 million) and the public sector (US\$ 8 million), as well as by lower investment yield (US\$ 4 million).

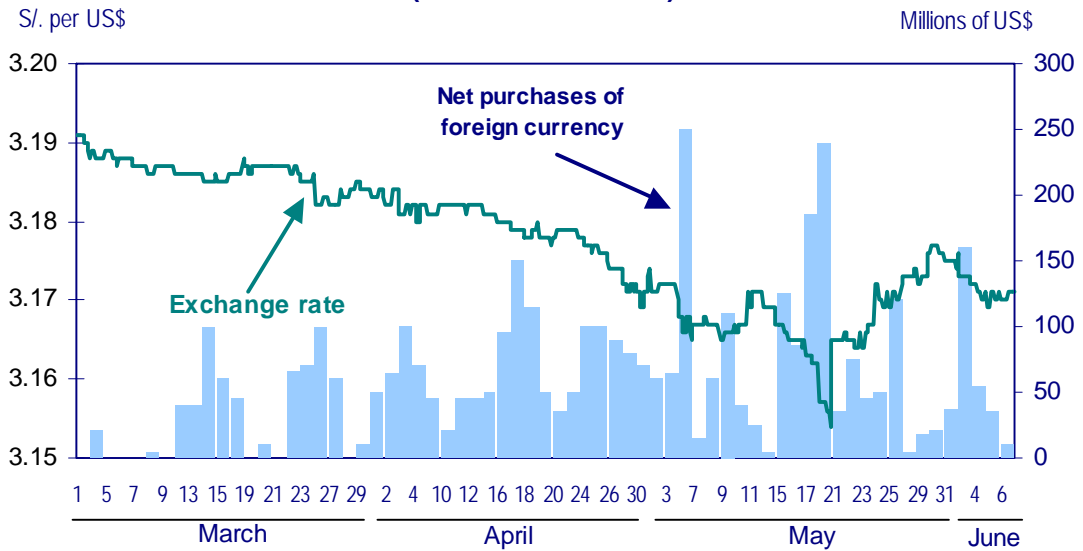


Furthermore, the **international position of the BCRP** as of June 5 (US\$ 15,354 million) increased by US\$ 287 million relative to end May.

Exchange rate: S/. 3.171 per dollar

Between May 30 and June 6, the average ask price of the interbank exchange rate fell from S/. 3.177 to S/. 3.171 per dollar, as a result of which the nuevo sol has appreciated 0.1 percent so far this month. Between May 30 and June 6, the Central Bank intervened in the exchange market purchasing US\$ 319 million at the Central Bank's Foreign Exchange Desk.

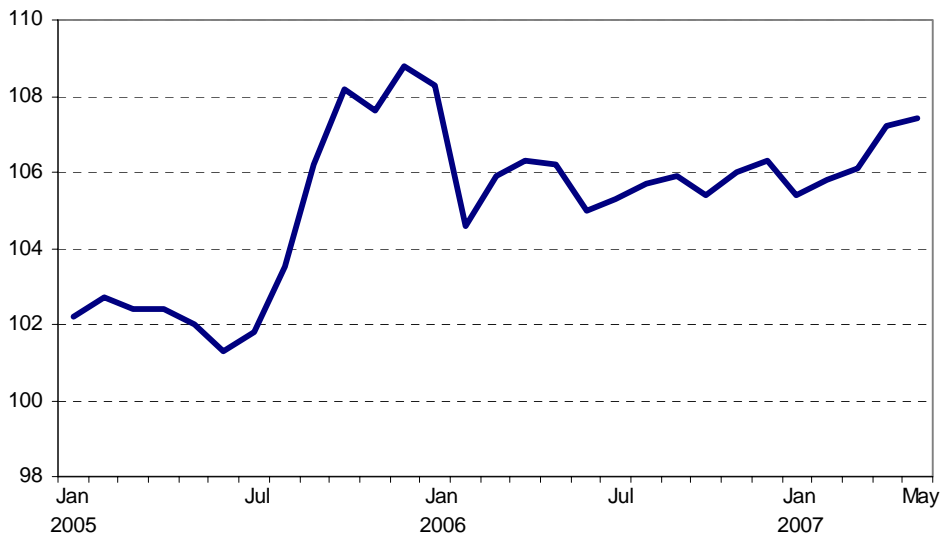
Interbank Ask- Exchange Rate and Net Purchases of Foreign Currency (March - June 2007)



Real exchange rate rose 0.2 percent in May

In May the real multilateral exchange rate increased 0.2 percent relative to April 2007 as a result of the following factors: a 0.2 percent rate of external inflation, a 0.5 percent of domestic inflation and a 0.4 percent nominal depreciation of the nuevo sol against the basket of currencies of Peru's main trading partners.

REAL MULTILATERAL EXCHANGE: December 2001=100 (January 2005 - May 2007)



Monetary base as of May 31, 2007

The balance of the **monetary base** as of May 31 (S/.13,610 million) increased 0.4 percent (S/. 60 million) relative to end April. On average, the monetary base grew at an annual rate of 24.7 percent in this period (21.3 percent in April).

By sources, operations contributing to the expansion of the monetary base included purchases of dollars (US\$ 1,671 million, or S/. 5,288 million) and banks' lower overnight deposits (S/. 220 million). Conversely, the monetary base contracted due to net placements of BCRP Certificates of Deposits (S/. 4,287 million), higher public sector deposits (S/. 885 million), and net sales of dollars to the public sector (US\$ 201 million, or S/. 638 million).

Liquidity and credit to the private sector as of May 15

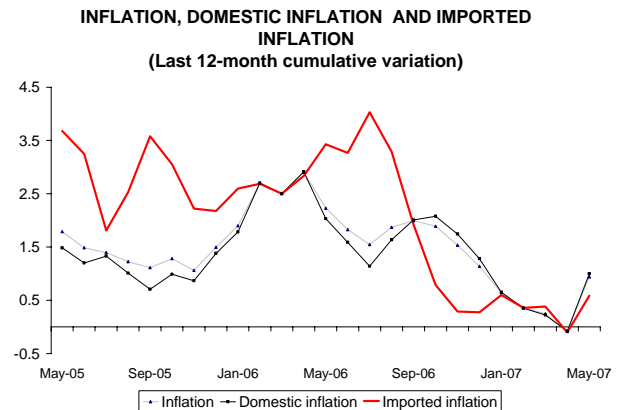
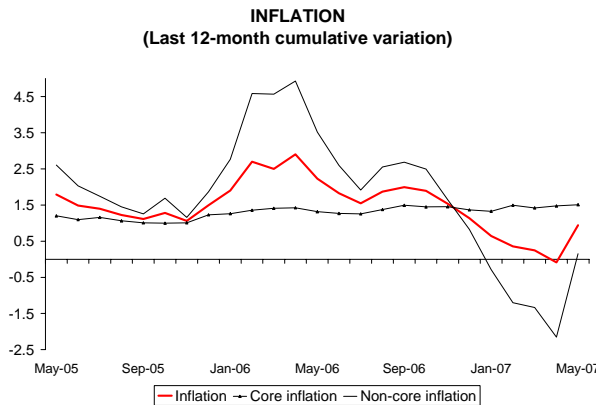
In the last four weeks, liquidity in **domestic currency** increased 2.7 percent (S/. 982 million), reaching a balance of S/. 37,232 million (annual growth of 33.7 percent). Credit to the private sector in domestic currency grew 4.3 percent (S/. 1,168 million), thus reaching a balance of S/. 28,563 million (annual growth of 37.9 percent).

Moreover, liquidity in **foreign currency** increased 3.5 percent (US\$ 470 million), thus reaching a balance of US\$ 13,985 million (annual growth of 17.6 percent). Credit to the private sector in foreign currency grew 0.5 percent (US\$ 61 million), reaching a balance of US\$ 12,299 million (annual growth of 5.8 percent).

EVOLUTION OF LIQUIDITY AND CREDIT TO THE PRIVATE SECTOR										
	MONETARY BASE		LIQUIDITY IN D/C		CREDIT IN D/C		LIQUIDITY IN F/C		CREDIT IN F/C	
	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR	VAR.(%) MONTH	VAR.(%) YEAR
2005										
Mar.	-0.2%	25.7%	4.2%	35.5%	2.8%	15.5%	-1.3%	3.8%	0.4%	3.2%
Jun.	1.9%	28.1%	1.8%	34.1%	1.2%	19.0%	0.4%	5.0%	1.5%	5.5%
Sep.	-0.1%	31.8%	0.6%	39.5%	2.5%	24.6%	0.5%	4.8%	-1.2%	4.9%
Dec.	13.1%	25.7%	8.0%	33.7%	5.8%	35.4%	2.9%	10.5%	0.2%	5.9%
2006										
Jan.	-7.2%	25.0%	-4.4%	29.1%	1.1%	38.0%	3.3%	14.5%	-3.4%	2.4%
Feb.	0.3%	22.9%	0.9%	25.1%	2.8%	40.4%	1.7%	17.1%	0.0%	2.5%
Mar.	0.8%	24.2%	2.4%	22.9%	2.3%	39.7%	1.7%	20.7%	1.7%	3.7%
Apr.	0.3%	18.3%	-4.0%	19.0%	1.2%	39.5%	-1.0%	16.1%	0.5%	2.3%
May.	-1.6%	15.5%	-0.2%	18.2%	1.0%	38.1%	-1.1%	12.8%	3.3%	3.6%
Jun.	2.3%	16.0%	1.6%	18.0%	1.9%	39.0%	0.4%	12.9%	2.0%	4.1%
Jul.	8.0%	11.7%	2.6%	12.1%	1.6%	38.7%	1.0%	14.9%	0.5%	3.9%
Aug.	-4.2%	12.8%	1.2%	13.3%	2.0%	36.7%	0.9%	14.4%	-0.6%	5.2%
Sep.	0.9%	13.9%	1.1%	14.0%	2.5%	36.7%	0.8%	14.7%	0.9%	7.4%
Oct.	0.8%	13.5%	2.6%	15.2%	3.4%	35.7%	1.8%	15.9%	0.4%	7.6%
Nov.	2.6%	15.6%	4.2%	16.2%	3.1%	33.6%	2.4%	15.6%	1.3%	6.7%
Dec.	15.7%	18.3%	10.2%	19.0%	3.2%	29.5%	2.0%	14.6%	-1.8%	4.7%
2007										
Jan.	-6.8%	18.8%	0.7%	25.4%	1.4%	29.9%	-0.1%	10.9%	0.0%	8.4%
Feb.	1.5%	20.2%	0.6%	25.1%	3.2%	30.4%	0.5%	9.6%	0.8%	9.2%
Mar.	1.3%	20.7%	3.7%	26.6%	4.4%	33.0%	1.9%	9.8%	1.6%	9.1%
Apr.	1.9%	22.7%	0.0%	31.9%	5.9%	39.2%	4.1%	15.5%	1.7%	10.4%
May.15	1.1%	25.8%	2.7%	33.7%	4.3%	37.9%	3.5%	17.6%	0.5%	5.8%
Memo:										
Balance as of Apr. 15 (Mill.S/.or Mill.US\$)	13,414		36,250		27,395		13,514		12,238	
Balance as of May. 15 (Mill.S/.or Mill.US\$)	13,556		37,232		28,563		13,985		12,299	

Inflation at 0.49 percent in May

Inflation in May posted a rate of 0.49 percent, as a result of which accumulated inflation over the last 12 months was 0.94 percent. Three items contributed with 0.62 percentage points to this month's inflation: chicken (0.35 points), onion (0.15 points) and gasoline (0.12 points). On the other hand, three items contributed with -0.22 percentage points to inflation in May: fish (-0.13 points), electricity (-0.05 points) and pumpkin (-0.04 points).



INFLATION RATE
(Annual percentage change)

	Weighted	Monthly	12-month indicator			Annual average indicator		
		May. 2007	May. 2006	Apr. 2007	May. 2007	May. 2006	Apr. 2007	May. 2007
I. CORE INFLATION	60.6	0.09	1.32	1.48	1.51	1.20	1.39	1.41
Goods	34.0	0.13	0.81	1.08	1.17	0.83	0.89	0.92
Food	13.0	0.04	0.95	1.60	1.40	0.92	1.35	1.38
Textile and footwear	7.6	0.31	1.28	2.65	2.73	1.46	1.74	1.86
Electrical appliances	1.0	0.01	0.37	-1.77	-1.52	-1.35	-0.64	-0.80
Other industrial goods	12.5	0.11	0.41	-0.21	0.15	0.51	-0.02	-0.04
Services	26.6	0.03	1.94	1.95	1.93	1.65	2.01	2.01
Restaurants	12.0	0.03	1.15	1.43	1.35	1.04	1.27	1.29
Education	5.1	0.17	3.37	3.60	3.68	2.91	3.57	3.59
Health	1.3	0.10	1.68	0.92	0.65	2.11	0.61	0.52
Renting	2.3	0.10	1.60	-0.98	-0.69	0.53	0.07	-0.12
Other services	5.9	-0.13	2.44	2.77	2.67	2.04	3.12	3.13
II. NON CORE INFLATION	39.4	1.04	3.52	-2.15	0.15	2.59	1.08	0.80
Food	22.5	1.39	4.36	-2.56	0.64	2.01	1.59	1.29
Fuel	3.9	3.37	7.47	-2.52	-0.31	7.93	1.74	1.11
Transportation	8.4	-0.26	1.52	0.41	0.32	2.27	1.00	0.90
Utilities	4.6	-1.32	-1.90	-4.58	-2.38	-0.11	-2.39	-2.43
III. CPI	100.0	0.49	2.23	-0.08	0.94	1.78	1.26	1.15
Note.-								
Imported Inflation	12.1	1.35	3.43	-0.10	0.59	2.72	1.53	1.29
Core Inflation	47.6	0.10	1.42	1.44	1.54	1.27	1.40	1.41
Total foods	33.2	0.94	3.30	-1.31	0.87	1.75	1.40	1.19

Core inflation in this month was 0.09 percent, and a last 12-month rate of 1.5 percent was accumulated. On the other hand, **non-core inflation** in May was 1.04 percent, as a result of which accumulated inflation over the last 12 months was 0.2 percent. Moreover, **core inflation excluding food products and beverages** was 0.10 percent (1.5 percent over the last 12 months). **Imported inflation** in May was 1.35 percent (0.6 percent over the last 12 months).

Survey on macroeconomic expectations: June 2007

Between May 10 and 31, the BCRP conducted its Monthly Survey on Macroeconomic Expectations among 25 financial entities, 24 economic analysts and 388 non-financial companies.

The survey results indicate that inflation in 2007 is expected to be between 1.50-1.90 percent, that is, within the BCRP's target range (between 1.0 and 3.0 percent).

In terms of GDP growth, all the surveyed groups expressed higher expectations than last month: 7.4 percent (vs. 7.2 percent) in the case of economic analysts; 7.4 percent (vs. 7.3 percent) in the case of non-financial entities; and 7.1 percent (vs. 7.0 percent) in the case of financial companies.

Moreover, the expectations of the different groups in terms of the exchange rate ranged between S/ 3.16 and S/3.18 per dollar.

FINANCIAL SYSTEM INSTITUTIONS (Median 1/ of the sample)

	Date of the survey		
	Mar.30 2/	Apr.27 2/	May.31 3/
Inflation(%)			
June	0.15	0.15	0.15
July	0.15	0.15	0.15
Annual: 2007	1.80	1.90	1.88
2008	2.00	2.00	2.00
2009	2.00	2.50	2.50
GDP growth (%)			
April	7.0	7.0	7.1
May	7.0	6.9	6.7
Annual: 2007	7.0	7.0	7.1
2008	6.3	6.3	6.5
2009	6.0	6.0	6.0
Exchange rate (S/ per US\$)			
June	3.18	3.18	3.17
July	3.18	3.18	3.17
Annual: 2007	3.18	3.18	3.16
2008	3.20	3.20	3.20
2009	3.23	3.23	3.21
Interbank interest rate (%)			
<i>In nuevos soles</i>			
June	4.50	4.50	4.50
July	4.50	4.50	4.50
Annual: 2007	4.50	4.75	4.70
2008	4.75	5.00	4.90
2009	4.80	5.00	5.00

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

2/ 26 financial institutions.

3/ 25 financial institutions.

ANALYSTS (Median 1/ of the sample)

NON-FINANCIAL SYSTEM FIRMS (Median 1/ of the sample)

	Date of the survey		
	Mar.30 2/	Apr.27 2/	May.31 3/
Inflation(%)			
Annual: 2007	1.50	1.50	1.45
2008	1.50	1.55	1.50
2009	--	1.60	1.50
GDP growth (%)			
Annual: 2007	7.0	7.3	7.4
2008	7.0	7.0	7.0
2009	--	7.0	7.0
Exchange rate (S/ per US\$)			
December 2007	3.20	3.20	3.18
December 2008	3.25	3.22	3.20
December 2009	--	3.25	3.24

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

2/ 392 non-financial institutions.

3/ 388 non-financial institutions.

	Date of the survey		
	Mar.30 2/	Apr.27 3/	May.31 4/
Inflation(%)			
June	0.10	0.10	0.15
July	0.18	0.20	0.17
Annual: 2007	1.80	1.83	1.87
2008	2.00	2.00	2.00
2009	2.50	2.00	2.00
GDP growth (%)			
April	6.9	7.1	7.3
May	6.5	6.7	7.0
Annual: 2007	7.3	7.2	7.4
2008	6.0	6.1	6.3
2009	5.8	5.9	6.0
Exchange rate (S/ per US\$)			
June	3.20	3.18	3.17
July	3.19	3.18	3.17
Annual: 2007	3.20	3.19	3.17
2008	3.21	3.21	3.20
2009	3.21	3.28	3.25
Interbank interest rate (%)			
<i>In nuevos soles</i>			
June	4.50	4.50	4.50
July	4.50	4.50	4.50
Annual: 2007	4.75	4.55	4.50
2008	5.00	4.90	4.75
2009	5.00	5.00	4.95

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

2/ 19 analysts.

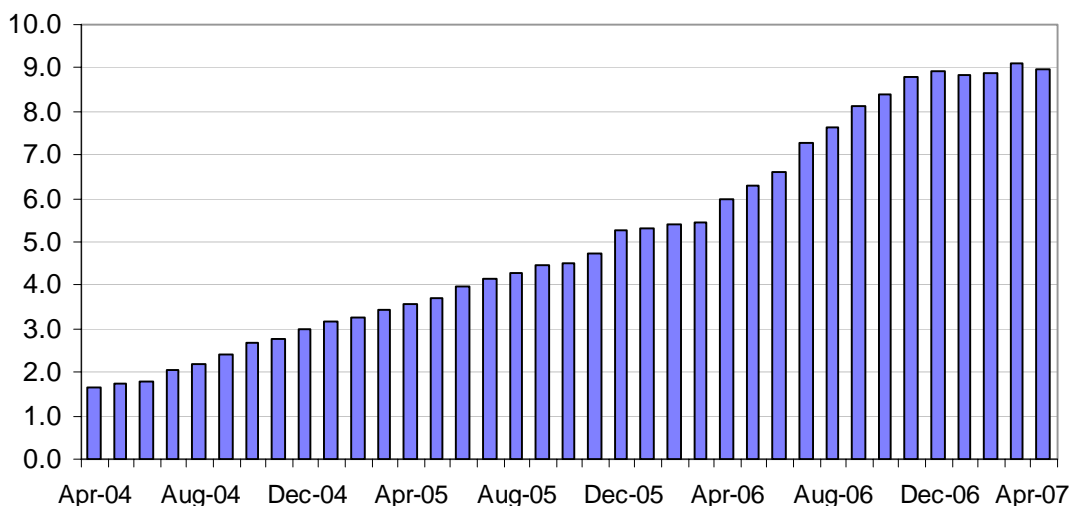
3/ 21 analysts.

4/ 24 analysts.

Trade surplus of US\$ 598 million in April

The trade balance in April 2007 reached a surplus of US\$ 598 million, a sum US\$ 115 million (16 percent) lower than the one recorded in March. As a result of this, so far this year the trade surplus amounts to US\$ 2,019 million.

Annual Trade Balance: April 2004-April 2007
(Thousand of millions of US\$ accumulated in the last 12 months))



Exports in April grew by US\$ 236 million (13 percent) relative to April last year and amounted to US\$ 2,063 million. As a result of this, exports between January and April increased by 19 percent. Moreover, last 12-month exports totaled US\$ 25,043 million. **Traditional exports**, which amounted to US\$ 1,588 million, were 11 percent higher than in April 2006 (19 percent increase so far this year), particularly due to higher exports of zinc (US\$ 142 million), copper (US\$ 72 million) and fish meal (US\$ 53 million), which increased by 101 percent, 15 percent, and 234 percent respectively.

Non-traditional exports totaled US\$ 460 million, showing a 21 percent increase relative to April 2006 (non-traditional exports increased by 20 in the January-April period). This result was associated with higher exports of chemical, textile, fishing and agricultural products.

On the other hand, **imports** increased by 32 percent relative to April 2006 (27 percent so far this year) and amounted to US\$ 1,465 million. This result was associated with higher imports of all items, particularly capital goods (38 percent) for industry, agriculture and transport, and raw materials (31 percent) given the higher purchases of fuel (44 percent). Moreover, imports of consumption goods grew 24 percent.

TRADE BALANCE

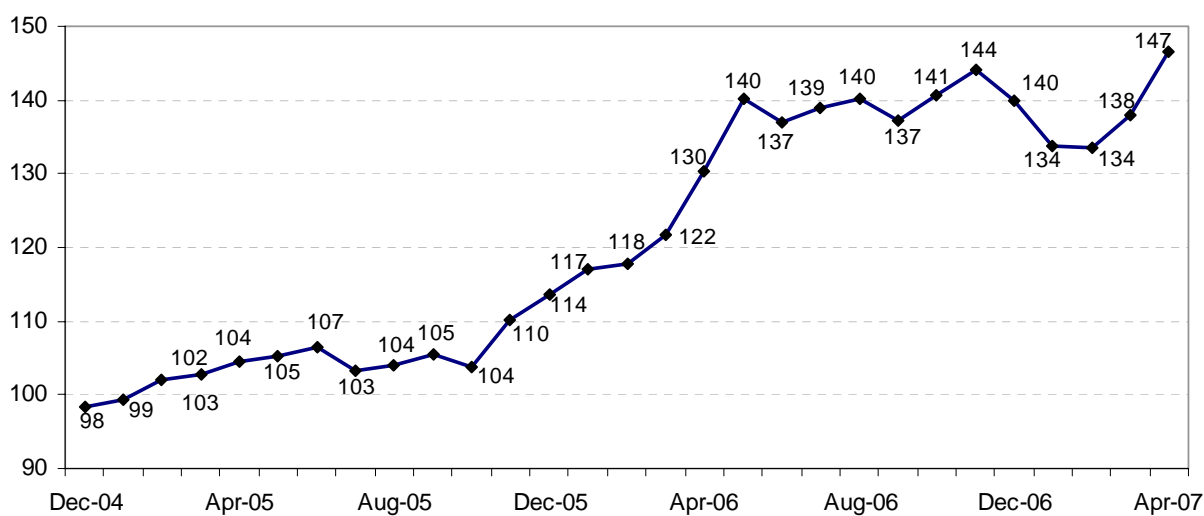
(Millions of US\$)

	Monthly data					January-April			
	Apr.	Mar.	Apr.	Apr.07 / Apr.06		2006	2007	Flow	% Chg.
	2006	2007	2007	Flow	% Chg.				
EXPORTS	1 827	2 064	2 063	236	12.9	6 467	7 710	1 243	19.2
Traditional products	1 432	1 603	1 588	156	10.9	4 913	5 856	942	19.2
Non-traditional products	381	451	460	79	20.8	1 501	1 807	306	20.4
Other products	13	10	14	1	5.9	53	47	- 5	- 10.2
IMPORTS	1 114	1 399	1 465	351	31.5	4 497	5 690	1 193	26.5
Consumer goods	195	253	241	46	23.6	759	925	166	21.9
Raw materials and intermediate goods	613	717	801	188	30.7	2 452	3 018	566	23.1
Capital goods	301	422	416	115	38.4	1 237	1 722	486	39.3
Other goods	6	6	7	1	23.2	50	25	- 24	- 49.4
TRADE BALANCE	713	665	598	- 115	- 16.1	1 969	2 019	50	2.5

The **terms of trade** in April grew 13 percent relative to April 2006 due to the increase seen in the average price of exports (19 percent) as a result of better international prices for our main commodities. Furthermore, the price of imports grew 5 percent, while the volume of exports dropped 5 percent basically due to the lower volumes of exports of gold, oil and molybdenum. The volume of non-traditional exports increased 10 percent.

TERMS OF TRADE

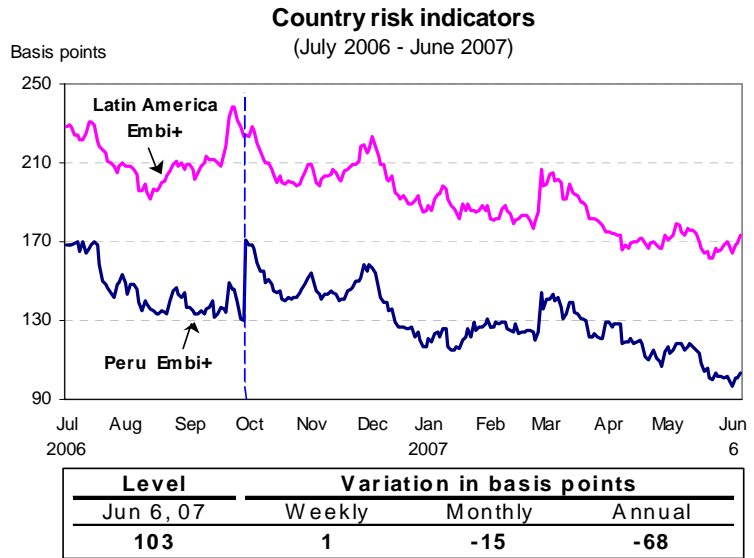
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International Markets

Country Risk at 103 basis points on June 6

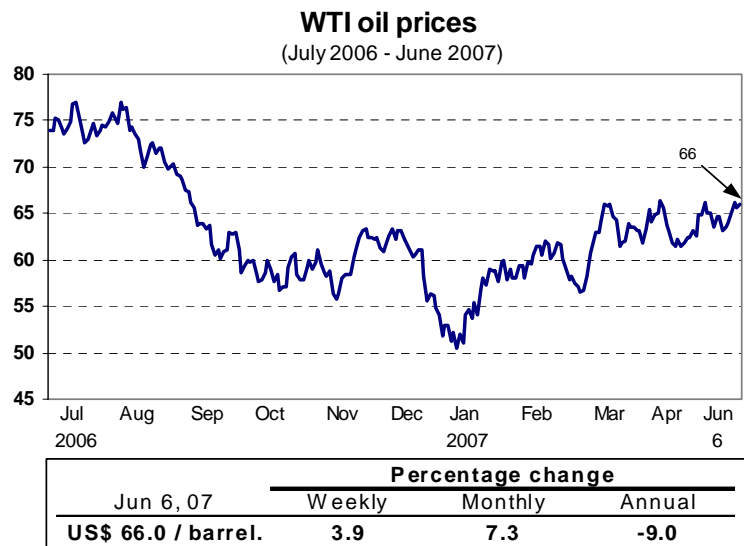
In **May**, the country risk indicator, measured by the **EMBI+ Peru** spread, decreased from 117 to 109 basis points, following the trend of spreads in the region. This evolution is associated with the announcement of the partial prepayment of the public debt to the Paris Club (about US\$ 2.5 billion) and with the fact that both Standard & Poor's and Fitch Rating upgraded the rating given to Brazil.



On **June 6**, the **EMBI+ Peru** recorded 103 basis points. It is worth mentioning here that on June 1 Peru's country risk reached a historical minimum of 97 basis points, a result associated with the likelihood that Peru will obtain an investment grade and with expectations that the slowdown of the US economy will not be as strong as expected.

Average oil quotation decreased to US\$ 63.4 per barrel in May

In **May**, the average quotation of **WTI** oil decreased 0.8 percent (from US\$ 63.9 to US\$ 63.4 per barrel) due to higher oil inventories in the US and to the increase observed in the operational capacity of U.S. refineries in order to respond to a higher seasonal demand. However, this reduction in the price of oil was offset by the probability of interruptions in the oil supply from Nigeria.



The price of **WTI** oil on **June 6** was US\$ 66.0 per barrel. Factors contributing to this result include geopolitical conflicts in the Middle East, reports from the US Energy Department showing that the demand for oil in the US has increased, and ongoing violence in Nigeria.

In **May**, the average price of **gold** decreased 1.7 percent (from US\$ 679.8 to US\$ 668.2 per troy ounce) due to the appreciation of the dollar against the other main currencies (which reduced the appeal of gold as an investment asset), to speculations of a lower demand from India (given that demand is traditionally weakened during the monsoon season), to increased sales of gold by some European central banks, and to an investment bank report indicating that the supply of gold would exceed demand by 250 MT in 2007.



As of **June 6**, the quotation of gold was US\$ 666.3 per troy ounce. This result was associated with the European Central Bank's announcement that it would stop selling gold until September 2007, and with the depreciation of the dollar against the euro and yen seen during this week.

In **May**, the average price of **copper** decreased from US\$ 3.52 to US\$ 3.49 per pound (0.9 percent). This result was influenced by an increase of inventories at the Shanghai Stock Exchange, which implied an increase in global inventories of copper. Other factors contributing to this result included the possibility that Chinese demand might slow down after the Chinese government increased taxes on share transactions three-fold, and the International Copper Study Group (ICSG) reported that copper production would exceed demand by 520 MT next year.



However, this drop in the price of copper was partially offset by the announcement of positive indicators of economic activity in the U.S. that would point to a higher potential demand, and by the likelihood that workers would go on strike in one of Codelco's mines.

As of **June 6**, the quotation of copper recorded US\$ 3.43 per pound, in a context marked by a new drop of inventories at the London Metal Exchange (inventories dropped 5.6 percent to 123,050 MT during last week), increased concerns of strikes in Chile and Mexico, and positive indicators on production in China.

In **May**, the average price of **zinc** increased from US\$ 1.61 to US\$ 1.74 per pound (8.1 percent). This result was basically influenced by lower levels of inventories at the London Metal Exchange, by the interruption of production at the Xstrata Plc-owned Mc Arthur River mine in Australia, and by reports of the International Lead and Zinc Study Group (ILZSG) indicating that the zinc's trade balance would continue to show a deficit in 2007.

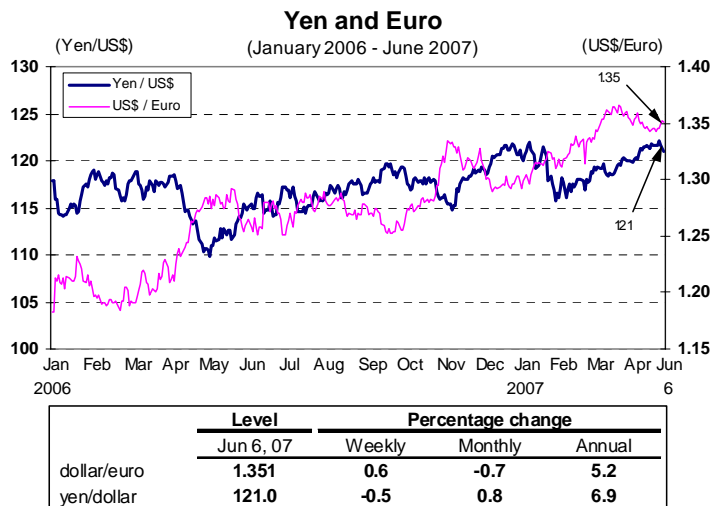


However, this result was partially offset by expectations of a lower demand from China –the world's main consumer of this metal– after the Chinese government implemented actions to slow down China's economic growth.

The price of zinc as of **June 6** was US\$ 1.68 per pound, a result associated with speculations of a weakening of demand in the US manufacturing sector and with a new drop of inventories at the London Metal Exchange (inventories dropped 2.9 percent to 73,124 MT during the week).

Dollar appreciated against the euro and the yen on May

On average, the **dollar** appreciated 0.2 percent against the **euro** and appreciated 1.6 percent against the **yen** on **May**. The dollar strengthened against the euro due to persistent inflationary concerns that reduced expectations that the FED might decrease the interest rates, as well as to higher than expected positive indicators of industrial activity. However, this result was partially offset by higher expectations that the interest rates will be raised in the Eurozone.

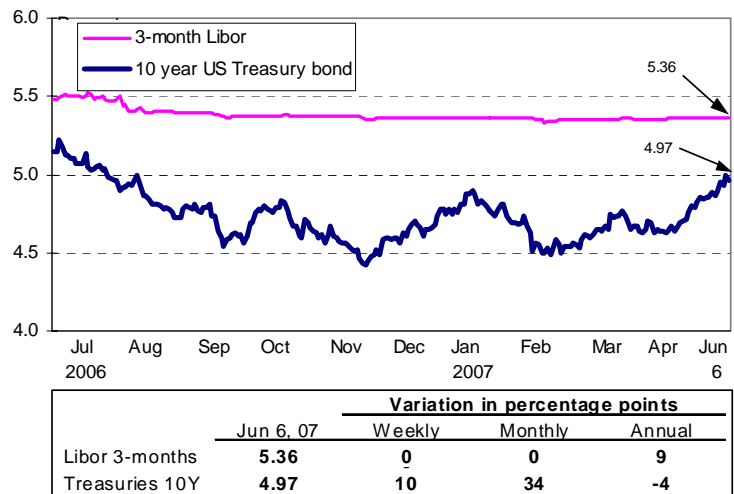


As of **June 6** the dollar appreciated 0.4 percent against the euro and 0.5 percent against the yen due to higher expectations on the reduction of the spread between FED and Eurozone interest rate, after that the Europe Central Bank announced that the wave of increases on the interest rate would not stop after their last increase of 25 basis points to 4 percent on the interest rate. Meanwhile, an increase in risk due to the China Stock Exchange fall, generate a reversion on the carry trade operations and appreciatory pressures over the yen.

Yield on 10-year US Treasuries increased to 4.74 percent on average in May

In **May**, the **3-month Libor** increase from 5.35 to 5.36 percent in average terms, while the yield on the 10-year US Treasury bond increased from 4.68 to 4.74 percent. This evolution was associated with a positive outlook for the U.S. economy in the second quarter given favorable indicators of industrial activity, such as an unexpected increase in consumer's confidence. However, the higher demand for fixed income securities after the plunge of China's Stock Market led investors to demand safer assets and prevented a further increase of the yield on Treasury bonds.

3-month Libor and yield on 10-year US Treasury bonds
(July 2006 - June 2007)

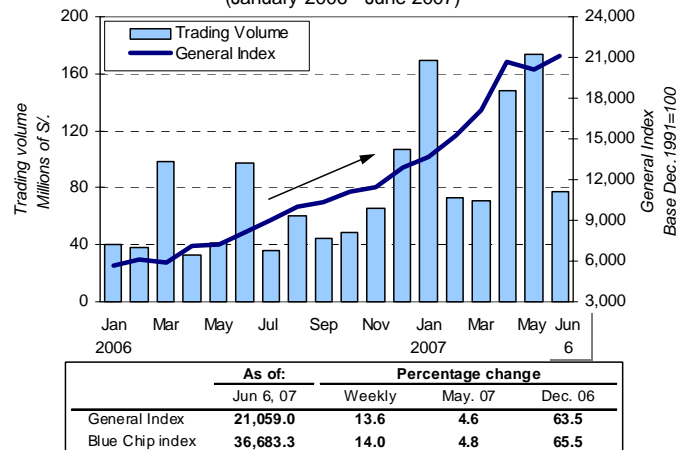


As of **June 6**, the **3-month Libor** remained at 5.36 percent and the yield on the 10-year US Treasury bond increased to 4.97 percent, due to the positive outlook for the US economy in the second quarter.

Lima Stock Exchange dropped to -2.64 percent on May

In **May**, the **General** and **Blue Chip** indices of the Lima Stock Exchange (LSE) fell -2.64 and 0.03 percent respectively. This fall was due to the persistence of technical corrections and to a massive speculative sale, due to the international context -Shanghai Stock Exchange fell and uncertainty in the metal price- and the sensation that some stocks had already exceeded their values. These factors exceed the better corporate results in the first quarter 2007, reached by the main firms of the LSE and announced at the beginning of the month.

Lima Stock Exchange Indicators
(January 2006 - June 2007)



As of **June**, the **General** and **Blue Chip** indices of the Lima Stock Exchange have grown 4.62 and 4.83 percent respectively. This result was driven by the agents improving its positions, due to the perception that the stocks are in its fair price because the fundamentals remained almost unchanged. So far this year, these indices have grown 63.45 and 65.54 percent respectively.

