

# REVIEW OF MONETARY POLICY AND CONDITIONS

*The March Monetary Review covers a period during which interest rates and credit growth rates both rose significantly, after both had steadily fallen through to mid-1986. The two are probably linked, but a full explanation for these events is not yet available.*

## Introduction

At the time of writing the last quarterly review of monetary policy and conditions, there were initial signs that changes in liquidity management policy had started to tighten liquidity conditions. Also, the latest credit growth numbers available at the time had shown some upswing in credit, but not to any greater extent than would have been expected given the impact of GST on consumer spending.

Subsequent events have dramatically confirmed these trends. For example, trading bank credit growth over the three months to December 1986 was stronger than any previous three month period on record in seasonally adjusted terms. As yet the full explanation for such growth is unclear — it is most unlikely that GST effects account for all of the increase.

In the meantime interest rates have climbed significantly, especially for large scale, short term funding

requirements. The rise since November in money market rates represents a reversal of the downward trend in rates that had persisted since March 1986. On the other hand, although also rising to a certain extent, interest rates for longer term and retail business remain below the peak levels reached in 1985.

This quarterly review examines these events. The main factors which appear to explain the interest rate cycle are the earlier policy tightening, seasonal factors, an increased uncertainty regarding the general economic outlook and the high rate of credit growth that has occurred since October 1986.

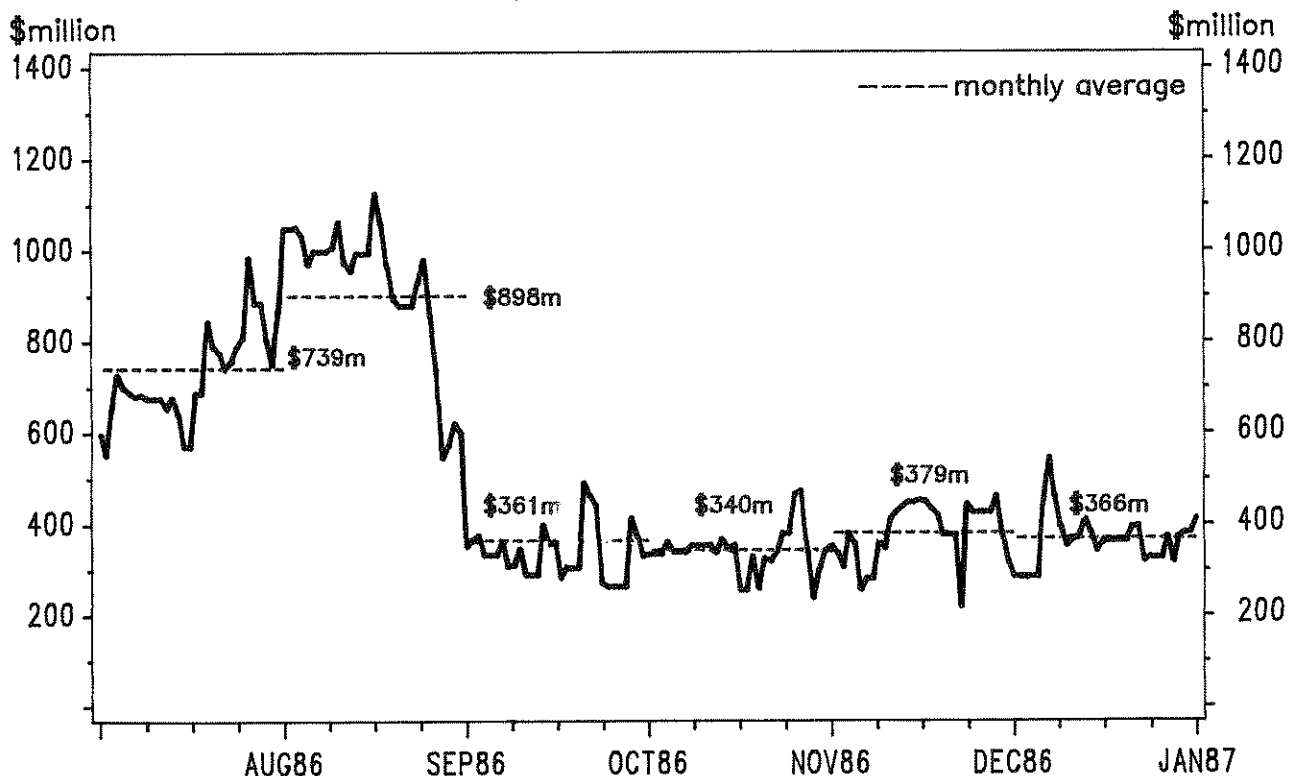
## The Monetary Policy Environment

Current monetary policy is built on a framework of 'fully funding' all public sector liquidity injections through the year by way of sales of medium term,

illiquid government securities. This approach is designed to constrain the ability of financial institutions to increase private sector lending through controlling the amount of base liquidity available to financial institutions through time. By itself the full funding policy does not achieve immediate results — its orientation is medium term in character. In the short term context, the success of this policy is importantly affected by the operation of liquidity management policy.

Changes in the operation of liquidity management policy in late 1985 and early 1986 altered the terms on which the Reserve Bank would discount (i.e. buy) government securities. The Bank also introduced a daily cash objective, using daily open market operations to bring about the intended cash level. This greater activism on the part of the Bank to stabilise liquidity conditions decreased the amount of volatility in

Figure 1  
Primary Liquidity  
settlement cash plus discountable government securities



primary liquidity (PL), and especially its cash component, which financial institutions could expect to face. However, it was only after some experience of the new operating approach that the degree of extra stability achieved could be assessed: accordingly, financial institutions initially adopted a cautious approach and sought to hold higher volumes of liquidity than they later considered necessary. Hence, as the perceived need for institutions to hold precautionary liquid balances reduced, it became necessary to limit the supply of liquid assets in order to maintain the intended firm medium-term monetary policy stance.

To a certain extent, the need to limit the supply of liquidity progressively as the demand for it eased was anticipated, and a steady reduction in PL was achieved over the months to August 1986. There was also some concern to avoid imposing a sharp reduction in PL prior to the September tax period, given the historical tendency for an increase in market nervousness at that time. However, it became evident following the run-up and rundown of PL over the September tax period that a greater constraint on liquidity was required. Additional moves were made in two successive steps, the first being a reduction of the daily cash target from \$50 million to \$40 million and the introduction of a much lower average target of \$400 million for PL from the end of September. The second step was taken in early November, when the daily cash target was further reduced to \$30 million on 3 November and it was announced on 4 November that the average level of PL in November was expected to be \$360 million. The PL adjustments are apparent in figure 1.

The appropriate base levels for primary liquidity and its cash component will continue to be reviewed on an ongoing basis, in order that structural shifts in demand for cash or primary liquidity do not inadvertently tighten or loosen the stance of policy in future.

## Monetary Developments

### Monetary and Credit Aggregates

In principle the best indicators of the degree of pressure exerted by monetary policy in the recent past would be the various money and credit growth measures produced by the Reserve Bank. However, for some time these indicators have been significantly, but immeasurably, distorted by the considerable changes in the structure of the financial system. In particular, the increased competitiveness of trading banks and other larger M3 institutions has led to on-going gains in the share of business obtained by those institutions.

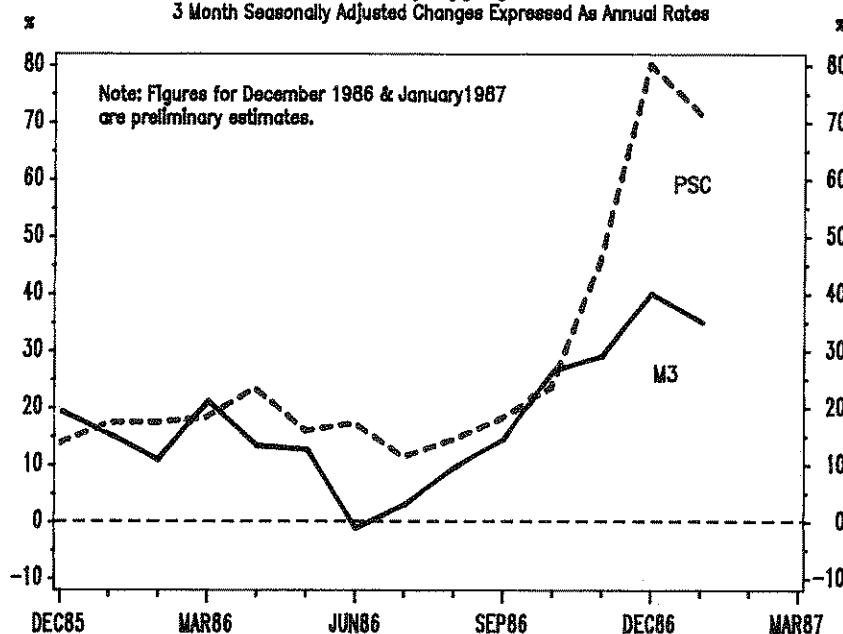
However, it is increasingly likely that the particular (reintermediation-induced) distortions produced by the financial deregulation of 1984/85 have already been felt, and are now less relevant. The extremely rapid growth in credit seen over the six month period to January 1987 — especially October to December 1986 — and the accompanying upswing in deposit growth (see figure 2, which shows PSC and M3 growth expressed as annualised quarterly growth rates) cannot, therefore, be explained as a

product of reintermediation.

There are a number of influences which might help explain the rapid acceleration in the monetary aggregates' growth rates in the December quarter. One of the possible factors is a combined increase in deposits and lending related to increased money market interest rates. As short term deposit interest rates for large sums tend to move more quickly than short term lending (mainly overdraft) interest rates, a rapid rise in rates can open up opportunities for profitable borrowing and redepositing in the money market. The main players involved in this activity typically are financial institutions themselves, and large corporate bodies with unutilised credit lines. This type of activity is of less concern than 'normal' credit growth in that the associated credit growth does not reflect an increase in real expenditures. However, this process of 'round-tripping', as it is sometimes called, can put strong upward pressure on lending rates as financial institutions seek to close off the opportunities.

There is evidence that such activity was relevant over the period. First, the strongest increases in credit and

**Figure 2**  
Monetary Aggregates  
3 Month Seasonally Adjusted Changes Expressed As Annual Rates



deposit growth were roughly coincident with the rapid rise in short term interest rates in November and December 1986. Some preliminary work done by the trading banks indicates a very close relationship between the call interest rate and the extent of utilisation of corporate overdrafts at banks. Second, figures indicating the sectoral breakdown of trading bank lending for the relevant period (see table 1) show that the strongest credit growth occurred in the financial institutions category, with lending to the corporate sector also strong.

**Table 1**  
**Trading bank lending by Sector**  
(% contribution to total growth in the December 1986 quarter)

Farming, mining etc	3.0
Manufacturing	18.9
Construction	2.6
Energy, transport, etc.	2.8
Commerce	7.9
Financial institutions	19.8
Services	12.5
Personal — housing	20.8
— other	11.9
	100.0 <sup>1</sup>

<sup>1</sup> Total may not add due to rounding.

A further clue as to what might have occurred over the December quarter is contained in the divergent pattern of M3 and PSC growth which re-emerged over the December quarter. A number of factors appear to be relevant here. Vigorous competition for deposits, particularly by the trading banks at the expense of other M3 institutions, appears to have squeezed the other M3 institutions' deposit base without as yet resulting in a corresponding adjustment in their lending behaviour. Lending increased at a faster rate than deposits as a result. The private sector M3 institutions have also funded some of their lending by running down net holdings of government securities. Consequently, M3 institutions as a whole have been able to increase private sector lending without proportionate increases in

deposits, though they cannot continue this process indefinitely.

However, even allowing for the inter-institutional and other distortions, it is still likely that underlying money and credit growth was high over the period. Increases in the demand for credit, and accompanying increases in the volume of money, must partly reflect the GST impact on the price level, in two respects. First, in order to finance the higher dollar volume of transactions arising directly from the price level effect, wholesalers, retailers and consumers now require more working capital and transactions balances held as bank deposits. Secondly, the shifting forward in time of expenditures by people seeking to beat GST would have clearly raised temporarily the use of credit in the economy. While one would have expected most of the increase to have preceded 1 October 1986 (the date of GST introduction), there may be some delays in the recorded figures. Credit card billings, for example, are not recorded as credit outstanding until interest becomes payable (i.e. after the free credit period). Another reason might relate to early purchases having run down individuals' transactions balances below the level normally associated with the November-December period, necessitating greater use of credit facilities than usual.

Apart from GST effects, there may be influences from the wealth effects of the share market boom and a greater awareness by consumers of their ability to borrow on equity tied up in residential and other assets. Anecdotal evidence suggests that these latter influences were relevant and that a large part of the November - December credit expansion went into the equity and property markets.

At present however, such explanations must remain speculative. Better indications of the main causes are likely to become available as time passes with, in particular, the post-December profile of money and credit growth indicating whether the pre-December acceleration was only a transitory expansion in M3 financial business. As evident from figure 2, preliminary

estimates suggest that some easing back in growth rates occurred in January.

Given the likelihood that the observed growth in the aggregates represented to some extent an underlying expansion in the demand for credit that was not structural or transient in nature, the manner in which this was accommodated by the financial system is of considerable policy interest. If it is accepted that a part of the credit expansion was 'real', then the constraint exerted by monetary policy restrictions on the supply of liquidity to the financial system was insufficient to prevent the expansion occurring. It is thus possible that the easing in liquidity conditions during the previous (September 1986) quarter was a contributing factor to the December quarter developments.

It remains to be seen what are the downstream effects on aggregate growth rates of the tightening in liquidity conditions following the liquidity management policy alterations in October and November. As discussed in the next section, the tensions that one would expect between a tight policy stance and a rapid balance sheet expansion in the financial sector have indeed been evident over the period from December 1986 through February 1987.

### Interest Rates

Given the range of factors, discussed above, that may have distorted the money and credit aggregates, judgments concerning the state of monetary conditions must necessarily be supplemented by a range of indicators including, in particular, interest rates, and the exchange rate. During the December 1986 quarter, these important monetary indicators suggested that the combination of the adjustment of liquidity management operating guidelines at the end of September and in early November and the increase in demand for funds to support the rapid balance sheet expansion seen over the period resulted in a tightening of liquidity conditions. The exchange rate appreciated strongly from late September to late November, while the interest rate yield curve

became progressively inverted (see figure 3).

However, tightening liquidity policy in the face of a significant balance sheet expansion was not the only factor influencing interest rates over the period. Other factors, mainly announcements of adverse economic news (a high October month increase in food prices, poor September balance of payments figures, and a drop in New Zealand's credit rating), complicated the picture over late November and early December and appear to have added an uncertainty premium to both short and longer term interest rates. In the second half of December, increased uncertainty concerning the availability of liquidity to fund end-of-year flows to Government placed further upward pressure on short rates.

The momentum engendered by these various developments was reinforced over January and early February 1987 by a number of other transient factors, including market concerns about the terms and conditions that the Reserve Bank would make liquidity available through the March 1987 tax drain, market uncertainty arising from the rejection of bids by the Reserve Bank in open market injections of liquidity in early

February, an uneven distribution of available liquidity as between the major primary liquidity holding institutions, and an apparent mismatch between the maturity structure of primary liquidity desired and provided.

A clue as to the actual significance of the various factors at work is given by the differential movements in short term and long term interest rates. Five year government security yields increased from a 15.8 per cent average level for October to peak at 17.7 per cent in early December, before varying within the band of 17.2–17.7 for the remainder of the review period. In contrast, movements in short term rates (90 day commercial bills) were much more marked. Short term rates rose 9.2 percentage points between late September 1986 and early January 1987, reaching a peak of 24.7 per cent before fluctuating between 22 and 24 per cent over the remainder of January. In early February, short term rates moved sharply upwards again, rising temporarily to over 26 per cent in response to the specific factors mentioned above.

Thus, while the overall level of rates has moved up, the interest rate

'yield curve' has become increasingly inverted (i.e. negatively sloped), suggesting that the factors holding short term rates at their very high levels are not expected to be long-lasting. This partly reflects the seasonal nature of the nervousness that inevitably precedes the March tax-flow period. However, this interest rate structure is also consistent with an expectation that the present degree of monetary restraint is likely over time to lower the rate of inflation and hence future interest rates.

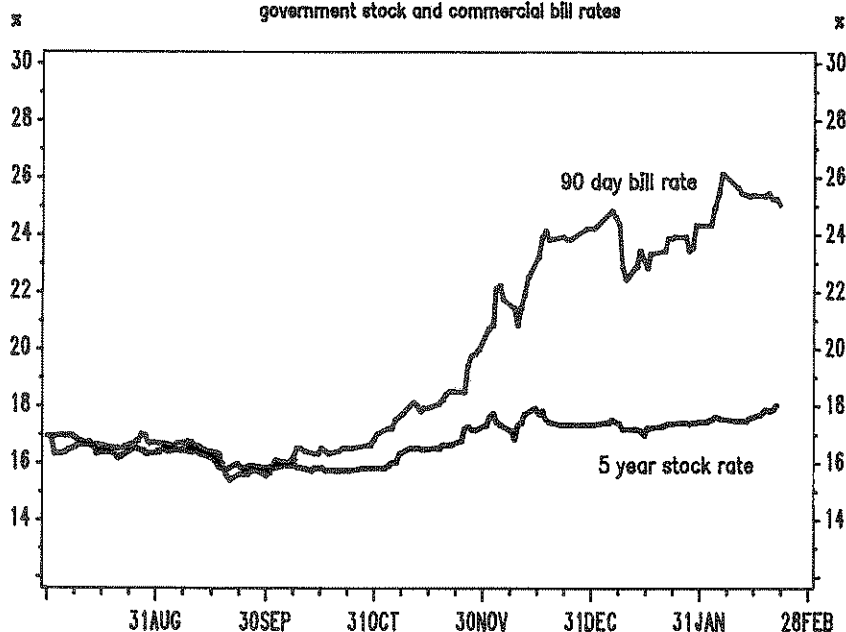
It should be noted that with a significant (seasonal) uncertainty premium built into short term rates, the yield curve may remain more steeply inverted over the March quarter than is warranted by the underlying medium term policy stance. However, given the ongoing need to maintain a tight monetary policy, particularly given the rapid balance sheet expansion seen over the previous six months, any easing in the short term rate structure following the March quarter may need to be limited unless the underlying portfolio structures have been brought back into line.

### Exchange Rate

As with the other main monetary indicators, the exchange rate must be interpreted with caution as it is affected by a host of factors other than monetary conditions. Nevertheless, if the effects of these other factors are properly assessed, the exchange rate can be a very useful indicator of monetary conditions.

The downward trend in the New Zealand dollar exchange rate apparent since May was broken in late September, when the exchange rate began appreciating (see figure 4). Following the moves to tighten liquidity conditions, announced in late September, the trade weighted index appreciated by 10.3 per cent to 64.0 by late November. This trend was then reversed temporarily, as the Standard and Poors credit rating adjustment and revisions to the balance of payments statistics initiated a 3.8 per cent depreciation of the exchange rate index to 61.6 over early December.

**Figure 3**  
Interest Rates  
government stock and commercial bill rates



Given that the interest rate yield curve was becoming more steeply inverted over this period, this weakening of the exchange rate did not appear to reflect any easing of liquidity conditions.

The New Zealand dollar then continued to appreciate, reaching 64.8 by the end of January, in response to the increase in interest rates over this period and the consequent high volume of Yankee-kiwi issues in particular. Thus, the exchange rate also tells a story of firming liquidity conditions over the December quarter despite the complicating effects of other factors.

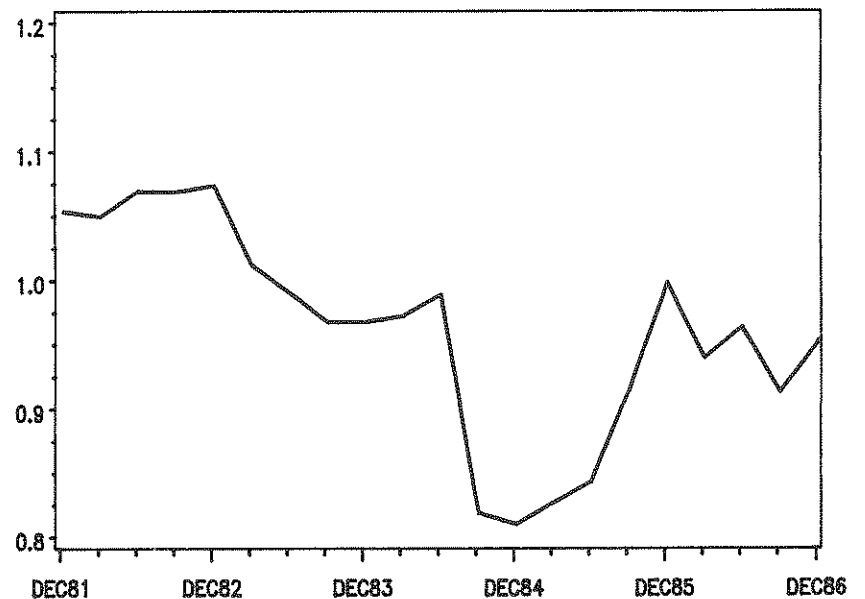
Another exchange rate measure which should be taken into account when assessing the impact of monetary conditions over a longer period is the real exchange rate. The real exchange rate, which is defined as the nominal exchange rate adjusted for inflation differentials between New Zealand and its major trading partners, measures trends in the competitiveness of New Zealand's traded goods sector. A tight monetary policy which increases real interest rates over sustained periods, can cause an appreciation in both the nominal and the real exchange rate, so causing a loss of competitiveness.

There has been a substantial appreciation of the real exchange rate since the July 1984 devaluation (see figure 5). Even though the nominal exchange rate is presently only 2 per cent higher than its immediate post-devaluation value, higher inflation in New Zealand than in its trading partners has resulted in an appreciation of the real exchange rate of approximately 17 per cent over this period. (This measure is unaffected by the one-off increase in New Zealand prices associated with the introduction of GST.) While it is very difficult to properly distinguish the effects of the underlying fundamentals from the influence of the firm monetary policy on this overall real appreciation, it is nevertheless important to recognise that a stable nominal exchange rate can imply a strengthening real exchange rate so long as New Zea-

**Figure 4**  
Exchange Rate Index  
daily foreign exchange trade weighted Index



**Figure 5**  
REAL EXCHANGE RATE  
(GDP Deflated Trade Weighted Index)



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land's inflation rate remains above that of the trading partners.

### **Conclusion**

The gradual adaptation of financial institutions to the changes made early last year in liquidity management policy, and increased confidence in the Reserve Bank's ability to forecast and offset liquidity flows, resulted in a reduced demand for settlement cash and primary liquidity over the September quarter. The resulting easing in liquidity conditions, was reversed through a policy tightening in September — November 1986 but this did not prevent an acceleration in money and credit growth over the December 1986 quarter. Factors con-

tributing to the strong credit expansion includes post-GST price effects, buoyant property and equity markets, an aggressive approach to market share by many institutions anticipating the entry of new banks, and an expansion in the volume of inter-institutional lending which has not been fully identified in the lending statistics.

Despite the high growth rates in the aggregates, the remaining monetary indicators generally support the view that the adjustments to policy settings for primary liquidity and its cash component over the December quarter successfully tightened liquidity conditions. Both short term and medium term interest rates rose over the review period with significant increases in short rates generating a substantial inversion of the yield curve. Also, the

exchange rate exhibited an appreciating trend over the review period, with downward adjustments being clearly linked to non-monetary external sector developments.

To some extent the pressure on short rates and hence the exchange rate has reflected seasonal pressures related to the March 1987 tax-flow and temporary problems with the distribution of liquidity. However, this pressure has also arisen from the rapid credit expansion of the December quarter placing greater demands on available liquid reserves. Thus, the steeply inverted shape of the yield curve may only be partially dampened with the passing of the March tax flow, depending on the speed with which the earlier excessive credit expansion is corrected.

**Open Market Operations**  
3.11.86 — 23.12.86

Date	Transaction	Amount of Offer \$m	Volume of Bids Received \$m	Total Amount Sold \$m	Total Amount Purchased \$m	Range of Bids Received %	Range of Successful Bids %	Average of Successful Bids %
<b>1986</b>								
Nov. 3	Sellback	20	127 @ 10/11/86	—	20	17.15-18.00	17.84-18.00	17.92
Nov. 5	Government Stock	50	—	—	—	—	—	—
	Sellback		128 @ 12/11/86	—	50	17.76-18.33	18.15-18.33	18.23
Nov. 6	Sellback	70	195 @ 14/11/86	—	70	17.2 -18.36	18.25-18.26	18.3
Nov. 7	Sellback	65	30 @ 12/11/86	—	15	18.22-18.36	18.22-18.36	18.31
			84 @ 17/11/86	—	50	17.9 -18.4	18.26-18.4	18.34
Nov. 10	Sellback	50	120 @ 19/11/86	—	50	17.65-18.72	18.39-18.72	18.52
Nov. 11	Sellback	20	30 @ 18/11/86	—	10	16.66-18.00	18.00	18.00
Nov. 13	Sellback	30	20 @ 17/11/86	—	20	17.49-17.64	17.49-17.64	17.57
Nov. 14	Sellback	70	111 @ 17/11/86	—	70	17.47-18.30	17.54-18.30	17.77
Nov. 17	Treasury Bills	75	104 @ 5/12/86	50	—	13.54-18.00	13.54-13.98	13.82
			14 @ 23/ 4/87	2	—	17.05-17.85	17.05	17.05
			9 @ 24/ 4/87	—	—	17.34-17.85	—	—
Nov. 18	Treasury Bills	65	52 @ 24/12/86	25	—	14.00-18.00	14.00-14.19	14.15
			37 @ 23/ 4/87	20	—	17.14-17.98	17.14-17.50	17.25
			15 @ 24/04/87	10	—	17.50-17.98	17.50	17.50
Nov. 19	Sellback	60	54 @ 24/11/86	—	26	17.50-18.46	18.29-18.46	18.36
			99 @ 1/12/86	—	34	17.35-18.61	18.25-18.61	18.42
Nov. 20	Treasury Bills	65	8 @ 26/11/86	4	—	13.00-17.50	13.00	13.00
			40 @ 27/11/87	33	—	13.00-17.50	13.00-17.50	14.16
			88 @ 6/ 5/87	28	—	17.54-18.01	17.54-17.76	17.68
Nov. 21	Sellback	35	84 @ 1/12/86	—	35	18.0 -18.71	18.71	18.71
Nov. 24	Treasury Bills	65	35 @ 19/12/86	25	—	13.18-17.01	13.18	13.18
			9 @ 24/04/87	9	—	17.85-18.23	17.85-18.23	18.09
			7 @ 6/ 5/87	7	—	17.80-17.98	17.80-17.98	17.85
Nov. 25	Government Stock	120	12.4 @ 15/ 3/87	—	0.5	17.05-18.10	18.10	18.10
	Sellback		30 @ 2/12/86	—	25	18.55-18.94	18.76-18.94	18.81
			177 @ 15/12/86	—	95.5	17.6 -19.15	18.66-19.15	18.97
Nov. 26	Treasury Bills	15	54 @ 6/ 5/87	10	—	18.43-20.0	18.43-19.09	18.76
Nov. 27	Sellback	15	40 @ 1/12/86	—	15	17.75-18.74	18.66-18.74	18.69
Nov. 28	Sellback	15	46 @ 2/12/86	—	15	18.51-19.51	19.51	19.51
Dec. 1	Treasury Bills	65	4 @ 5/12/86	4	—	14.3 -15.87	14.3 -15.87	14.69
			57 @ 26/02/87	30	—	19.0 -19.90	19.0 -19.53	19.17
			11 @ 23/04/87	5	—	19.90-20.09	19.90	19.90
Dec. 2	Treasury Bills	30	22 @ 5/12/86	14	—	14.0 -20.99	14.0	14.0
			38 @ 27/02/87	16	—	19.95-21.00	19.95-20.25	20.07
Dec. 3	Government Stock	160	4.425 @ 15/03/87	—	—	12.00-19.60	—	—
	Sellback		35 @ 9/12/86	—	35	20.16-21.03	20.16-21.03	20.56
			133 @ 15/12/86	—	95	19.80-21.03	19.81-21.03	20.29
			124 @ 17/12/86	—	30	19.05-21.03	20.9 -21.03	20.99
Dec. 4	Government Stock	35	3 @ 15/03/87	—	—	18.85-20.15	—	—
	Sellback		10 @ 9/12/86	—	—	20.0	—	—
			81 @ 23/12/86	—	35	20.0 -21.15	20.69-21.15	20.90
Dec. 5	Government Stock	30	2 @ 15/03/87	—	—	19.20	—	—
	Sellback		55 @ 16/12/86	—	30	19.36-21.76	20.16-21.76	20.50
Dec. 8	Government Stock	130	7 @ 15/03/87	—	—	18.00-19.20	—	—
	Sellback		80 @ 15/12/86	—	20	19.78	19.78	19.78
			40 @ 17/12/86	—	40	19.78-20.76	20.1 -20.76	20.5
			30 @ 24/12/86	—	30	19.81-20.75	20.64-20.75	20.7
Dec. 9	Treasury Bills	50	50 @ 23/04/87	23	—	19.74-21.17	19.74-20.45	20.23
			49 @ 24/04/87	27	—	19.79-21.24	19.74-20.57	20.33
Dec. 10	Treasury Bills	30	52 @ 7/01/87	20	—	15.59-21.28	15.59	15.59
			42 @ 26/02/87	10	—	20.0 -20.98	20.0	20.0
Dec. 11	Sellbacks	40	75 @ 16/12/86	—	40	19.80-20.97	20.35-20.97	20.66
Dec. 15	Treasury Bills	25	35 @ 22/12/86	25	—	19.90-22.0	19.9	19.9
Dec. 22	Sellback	40	115 @ 23/12/86	—	40	23.10-24.76	24.5 -24.76	24.58
Dec. 23	Sellback	230	619 @ 5/01/87	—	230	15.0 -26.76	24.01-26.76	25.37

Open Market Operations  
24.12.86 — 9.2.87

Date	Transaction	Amount of Offer \$m	Volume of Bids Received \$m	Total Amount Sold \$m	Total Amount Purchased \$m	Range of Bids Received %	Range of Successful Bids %	Average of Successful Bids %
<b>1986</b>								
Dec. 24	Treasury Bills	85	85 @ 29/12/86	20	—	18.0 -27.25	18.0	18.0
			22 @ 30/12/86	10	—	18.5 -26.0	18.5	18.5
			80 @ 5/01/87	25	—	19.25-26.15	19.25-21.76	19.75
Dec. 30	Sellback	245	41 @ 7/01/87	17	—	19.95-25.98	19.95-21.85	20.70
			63 @ 6/01/87	—	38	23.0 -25.85	24.85-25.85	25.32
			227 @ 7/01/87	—	100	23.0 -27.26	26.66-27.26	27.04
			239 @ 15/01/87	—	80	21.85-26.25	25.92-26.25	26.09
Dec.31	Sellback	215	51 @ 6/01/87	—	20	25.6 -27.6	27.03-27.6	27.1
			132 @ 9/01/87	—	40	23.55-27.25	27.19-27.25	27.19
			197 @ 14/01/87	—	50	23.35-27.31	27.08-27.31	27.22
			177 @ 16/01/87	—	105	23.55-27.33	24.86-27.33	26.52
<b>1987</b>								
Jan. 5	Government Stock Sellback	80	20 @ 15/03/87	—	—	19.75-22.35	—	—
			173 @ 16/01/87	—	80	24.26-27.19	26.76-27.19	27.03
Jan. 6	Treasury Bills	75	154 @ 27/01/87	75	—	22.05-27.90	22.05-24.14	23.32
Jan. 7	Treasury Bills	60	34 @ 27/02/87	31	—	22.97-24.34	22.97-24.0	23.41
			64 @ 22/04/87	29	—	23.3 -24.5	23.3 -23.74	23.59
Jan. 8	Treasury Bills	65	67 @ 26/02/87	20	—	21.65-24.50	21.65-21.69	21.67
			66 @ 6/05/87	26	—	22.0 -24.90	22.0 -23.15	22.63
Jan. 9	Treasury Bills	25	57 @ 6/05/87	25	—	21.64-23.15	21.64-21.69	21.66
Jan. 12	Treasury Bills	95	74 @ 25/02/87	20	—	31.3 -22.9	21.3 -22.32	22.0
			25 @ 31/03/87	7	—	21.94-22.8	21.94	21.94
			49 @ 22/04/87	42	—	21.84-23.12	21.84-22.73	22.36
			6 @ 24/04/87	4	—	22.56-23.12	22.56	22.56
			29 @ 6/05/87	17	—	22.4 -23.3	22.4 -22.94	22.80
Jan. 13	Treasury Bills	20	41 @ 18/03/87	10	—	22.25-23.48	22.25-22.39	22.38
			19 @ 22/04/87	4	—	22.85-23.24	22.85	22.85
			23 @ 6/05/87	6	—	22.94-23.85	22.94-23.2	23.04
Jan. 14	Sellback	10	35 @ 20/01/87	—	10	18.50-21.15	21.51	21.51
Jan. 15	Government Stock Sellback	45	59 @ 15/03/87	—	—	19.23-20.25	—	—
			180 @ 2/02/87	—	45	20.75-22.32	21.84-22.32	21.99
Jan. 20	Government Stock Sellback	60	5.9 @ 15/03/87	—	—	19.5 -20.65	—	—
			290 @ 2/02/87	—	60	21.5 -23.81	23.3 -23.81	23.57
Jan. 21	Treasury Bills	60	107 @ 26/05/87	26	—	23.65-24.41	23.65-23.91	23.82
Jan. 23	Government Stock Sellback	150	10.9 @ 15/03/87	—	—	20.05-21.50	—	—
			494 @ 2/02/87	—	150	22.10-24.94	24.27-24.94	24.63
Jan. 26	Sellback	210	180 @ 4/02/87	—	100	23.01-24.88	24.05-24.88	24.60
			95 @ 10/02/87	—	25	22.25-24.86	23.91-24.86	24.55
			140 @ 11/02/87	—	35	23.81-24.88	23.81-24.88	24.45
			193 @ 16/02/87	—	50	22.25-24.46	23.75-24.46	24.05
Jan. 27	Sellback	195	70 @ 3/02/87	—	40	22.9 -24.1	23.05-24.1	23.46
			215 @ 16/02/87	—	125	22.5 -23.65	23.0 -23.65	23.16
Jan. 29	Government Stock Sellback	65	36.9 @ 15/03/87	—	10.9	19.00-22.75	21.50-22.75	21.60
			96 @ 9/02/87	—	35	23.01-24.77	24.07-24.77	24.51
Feb. 2	Government Stock Treasury Bills Sellback	70	28 @ 15/03/87	—	13	21.00-21.55	21.50-21.55	21.52
			190 @ 17/02/87	—	50	23.65-24.90	24.55-24.90	24.74
Feb. 3	Government Stock Treasury Bills	15	26 @ 15/03/87	—	—	20.75-21.50	—	—
			4.915 @ 16/03/87	—	—	21.50	—	—
Feb. 4	Treasury Bills	50	48 @ 26/02/87	30	—	20.99-26.50	20.99	20.99
			72 @ 19/03/87	20	—	24.95-29.45	24.95-25.00	24.99
Feb. 5	Government Stock Sellback	60	51 @ 15/03/87	—	—	21.85-22.50	—	—
			156 @ 16/02/87	—	40	26.07-28.43	28.07-28.43	28.18
Feb. 9	Treasury Bills	35	70 @ 17/02/87	—	20	23.50-28.24	28.15-28.24	28.19
			15 @ 18/03/87	15	—	24.85-24.98	24.85-24.98	24.94
			22 @ 19/03/87	17	—	24.76-26.20	24.76-24.99	24.94

**Open Market Operations**  
10.02.87 — 27.02.87

Date	Transaction	Amount of Offer \$m	Volume of Bids Received \$m	Total Amount Sold \$m	Total Amount Purchased \$m	Range of Bids Received %	Range of Successful Bids %	Average of Successful Bids %
<b>1987</b>								
Feb. 10	Sellback	20	105 @ 13/02/87	—	20	27.00-30.00	30.00	30.00
Feb. 11	Sellback	45	30 @ 13/02/87	—	25	26.57-26.83	26.62-26.83	26.74
			60 @ 17/02/87	—	20	26.50-26.78	26.68-26.78	26.72
Feb. 13	Sellback	35	85 @ 18/02/87	—	35	24.85-26.25	25.35-26.25	25.91
Feb. 16	Sellback	10	40 @ 23/02/87	—	10	24.00-26.75	26.75	26.75
Feb. 17	Sellback	40	90 @ 18/02/87	—	20	24.00-25.30	25.30	25.30
			110 @ 23/02/87	—	30	24.95-26.05	25.85-26.05	25.98
Feb. 18	Sellback	15	45 @ 2/03/87	—	15	23.25-24.57	24.57	24.57
Feb. 19	Sellback	30	91 @ 2/03/87	—	30	22.00-24.26	24.09-24.26	24.20
Feb. 20	Sellback	45	115 @ 2/03/87	—	45	22.00-24.47	23.09-24.47	23.73
Feb. 23	Sellback	65	84 @ 2/03/87	—	65	22.43-23.29	22.75-23.29	23.04
Feb. 25	Sellback	15	70 @ 3/03/87	—	15	22.75-24.70	24.66-24.70	24.67
Feb. 26	Treasury Bills	45	66 @ 27/02/87	23	—	23.48-24.25	23.48	23.48
			110 @ 31/03/87	22	—	24.39-25.30	24.39-24.59	24.51
Feb. 27	Sellback	105	215 @ 4/03/87	—	95	22.50-24.87	24.22-24.87	24.60