

REVIEW OF MONETARY CONDITIONS AND POLICY

This article reviews monetary developments in New Zealand over the 3 months to mid-May. Marked swings in interest rates dominate the picture, creating something of a quandary for monetary policy management.

Special factors dominated monetary conditions during the review period, creating liquidity pressures and associated increases in interest rates which masked both underlying monetary policy influences and the favourable impact of fundamentals on longer term interest rates.

Introduction

The dramatic nature of the short-term interest rate movements over the review period (early February to early May 1987) was suggestive of strong forces at work in financial markets. However, the scale of the short-term interest rate movements to some extent drew attention away from, and masked the somewhat different and less dramatic picture reflected in longer term interest rate and exchange rate developments.

In retrospect, it is likely that most of the forces at work producing the short-term interest rate movements observed were not fundamental or lasting. Looking beneath the rather distorted surface, some fundamental interest rate pressure did underpin the determination of current monetary conditions, the pressure being an inevitable consequence of earlier expansionary actions by financial institutions in the face of a non-accommodating monetary policy. The bulk of short term interest rate pressures, however, arose from a series of particular events combined with the nervousness which can be generated in financial markets confronted with such developments.

The policy response to these developments came in the form of a limited easing in the liquidity constraint imposed on financial markets, with an increase from \$30 million to \$40 million on 27 April 1987 in the level of settlement cash targetted in daily policy operations. The decision to ease the liquidity constraint slightly was made without the luxury of hindsight allowed the analysis in this article. As a consequence, the monetary authorities were to some extent taking a risk that the signal given to financial markets by the policy adjustment would not be consistent with the underlying non-accommodating stance of policy.

The course of subsequent events suggests that the judgments made by the authorities were justified. The fall in short-term interest rates following the policy adjustment of 27 April 1987, together with the minimal reaction to the restoration of previous policy settings on 11 May 1987, confirmed the dominance of non-fundamental influences throughout the earlier period. The unwinding of the transitory factors which characterised most of the review period allowed the resumption of a downward trend in longer term rates, driven mainly by growing confidence about the outlook for inflation and the fiscal deficit.

Interest Rate Developments

Four distinct patterns in interest rates are relevant to the review period and can be seen in figure 1:

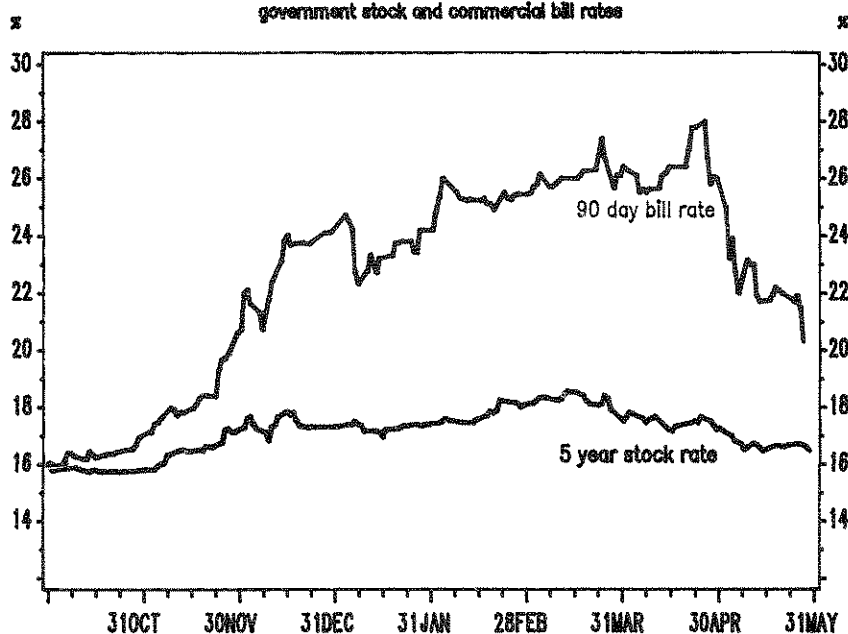
— First, from late 1986 there was an overall upward shift in the level of short and longer term rates.

Average rates for overnight call deposits and 90 day commercial bills increased from levels of around 18 per cent in November to around 23 per cent and 24 per cent respectively by December. Medium-term rates (5 year government stock) increased by approximately 1 percentage point to 17.5 per cent over the same period;

— Secondly, on top of this higher base level of rates, a seasonal profile connected with the March tax take became evident in the interest rate structure from late January/early February 1987. 90 day rates rose by a further 1 — 2 percentage points, while interest rates on call deposits fluctuated around an average level of 25.5 per cent, 2.5 percentage points higher than in December.

— Thirdly, 90 day commercial bill rates rose to levels of around 28 per cent in the latter half of March and over most of April, while rates for much shorter maturities recorded

Figure 1
Interest Rates
government stock and commercial bill rates



exceptionally high levels, particularly in the two weeks preceding 28 April 1987. Meanwhile, after dropping from 18.6 per cent to 17.15 per cent in mid-April in response to good economic news, 5 year government stock rates were pushed up again to over 17.5 per cent by 28 April 1987 by short-term liquidity pressures.

- Fourthly, a rapid fall in rates occurred in the two weeks following 28 April 1987. 90 day rates declined to below 23 per cent whilst call rates fell even more sharply (by 15 percentage points or more from peak levels) to end up at around 23 — 24 per cent. 5 year government stock rates also eased noticeably in line with the easing in short-term funding costs, and were down to 16.5 per cent by 11 May 1987.

In terms of the developments in liquidity conditions up to mid-March, as reflected in the short term interest profile over that period, underlying tensions between the demand for liquidity and the policy-constrained supply of liquidity were expected. Such tensions were due to the rapid acceleration in the growth rates of the lending and deposits of the banks — in particular over the December 1986 quarter where growth reached 15.1 per cent and 12.9 per cent respectively for the quarter alone — and were foreshadowed in the last Quarterly Review in this *Bulletin*.

Seasonal pressures were also not surprising. Indeed, active policy measures had been put in place in order to ensure that the pre-tax build-up in primary liquidity (PL) did not produce the sort of unintended softening in liquidity conditions which had occurred in September 1986. (See December 1986 quarter *Bulletin* for an analysis.) These policy measures involved the sale over the November 1986 to February 1987 period of Treasury bills of a longer average maturity than was warranted by the anticipated tax flow alone, with the intention of providing the Reserve Bank with an enhanced capability to control liquidity conditions during March 1987.

The particular short-term interest rate developments which surprised both financial markets and the monetary authorities were those reflected in the third pattern described above. Specifically, a 'normal' seasonal profile could have been expected to result in an easing of short-term rates following the March tax drain and end-fiscal-year flows to government. An analysis of the reasons for the failure of conditions to conform to the expected profile follows in a later section of this Review.

Over the same period to mid-March, longer rates were responding to a different mix of pressures. The upward trend in medium-term rates which began in November 1986 continued through December and beyond. Speculation about the probable size of future government funding requirements, the post-GST inflation track and State Owned Enterprises (SOEs) debt financing issues helped push five year government stock rates past the 17.5 per cent reached in early February to more than 18 per cent by mid-March. In addition, longer term rates were being influenced by higher short-term rates, in particular through the higher cost of funding holdings of government securities. The relative importance of these two influences on medium-term rates is not clear. However, the rise in rates in 1987 was almost similar to the rises during the same periods in 1986 and 1985 suggesting that short-term seasonal liquidity pressures might explain much of the increase.

The market's perceptions of the outlook for some important economic fundamentals did, however, have a noticeable impact over the second half of March and first half of April. 'Good' news over the period pushed longer term government stock interest rates lower. Specifically:

- The March tax take turned out to be significantly larger than expected, implying a lower 1986/87 fiscal deficit than previously anticipated. This result was later confirmed with an announcement on 23 April 1987 that the 1986/87 fiscal deficit had turned out to be \$1,950 million compared with the

\$2,450 million expected when the Budget was brought down and the \$2,915 million forecast part way through the year.

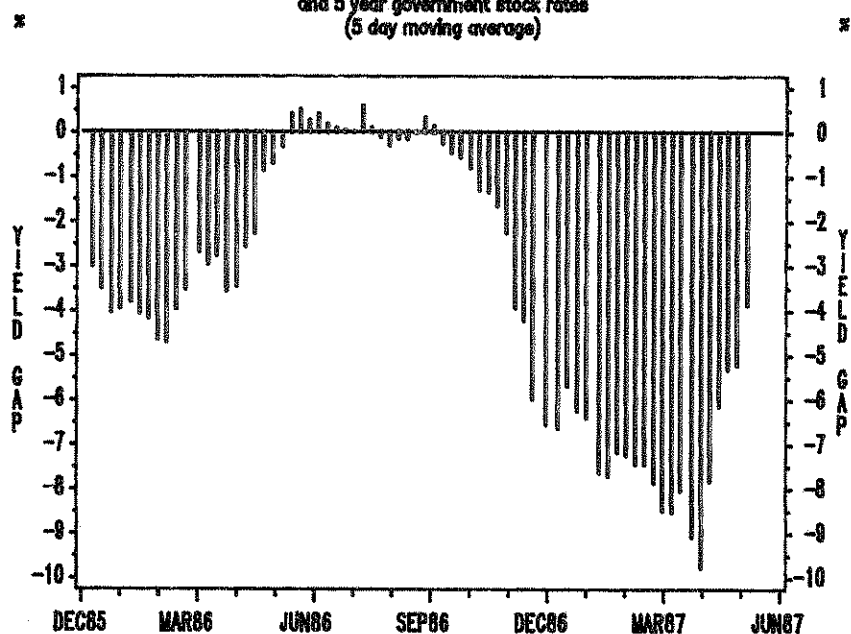
- A preliminary forecast by the Minister of Finance of the likely 1987/88 budget was released on 13 April 1987 as part of the announcement of a tentative 1987/88 public debt raising programme. The \$2,200 million forecast was considerably below most market expectations. When combined with an allowance for nearly \$1 billion of repayments of debt owed by newly-formed SOEs to the Government, and the effect of overfunding in 1986/87 (viz. the higher tax take), the lower deficit produced an anticipated 1987/88 borrowing programme of \$2,100 million, including allowance for the rollover of maturing debt. Although it could not be directly compared with the 1986/87 borrowing programme of \$4,715 million, especially as the SOEs debt component represented a change in the form of official sector borrowing rather than an immediate reduction in the level of that borrowing, financial markets reacted favourably to the new tender programme.

- The March 1987 quarter Consumers Price Index growth rate was announced on 14 April, at 2.3 per cent. Such a growth rate was a little lower than most predictions, and given that it included some residual one-off GST effects, implied a return to an underlying inflation rate of below 10 per cent.

The combination of these factors assisted in pushing five-year government stock rates down to about 17.15 per cent by 15 April 1987. However, by late April, these rates had drifted back to 17.5 per cent, primarily as a result of the rise in shorter term rates over this period. Rates remained at the higher level until the increase in the cash target on 27 April 1987, eased short-term liquidity pressures.

The changing profiles of short and longer term interest rates over March and April implied shifts in the interest rate yield curve structure. From a gap of 7 per cent between 90 day and 5

Figure 2
Yield gap between 90 day commercial bill
and 5 year government stock rates
(5 day moving average)



year instruments in early February, the yield curve slope increased to 10.5 per cent by late April (see figure 2).

In many circumstances the shape of the yield curve is a useful indicator of the tightness of monetary conditions. It can be seen from figure 2 that the flattening of the yield curve in mid-1986 coincided with a period which featured monetary conditions which were not perceived to be fully consistent with continuing downward pressure on inflation. (The absence in mid-1986 of an expectation of further falls in inflation accounts for the view implied by the flat yield curve through that period that interest rates several years ahead would not be significantly lower than short-term rates at the time). Certainly, a steep negative slope on the yield curve has been a feature of the disinflation phase experienced by most western economies.

The very negative large yield curve gaps recorded through late March and April 1987 were, however, somewhat exceptional in both historical and international terms. While consistent with a view that inflation would fall sharply in the future, the combination and persistence of the steepness of the yield curve inversion and the high

real interest rate levels (i.e. nominal interest rate levels less actual expectations of future inflation) were suggestive of unusually severe liquidity constraints.

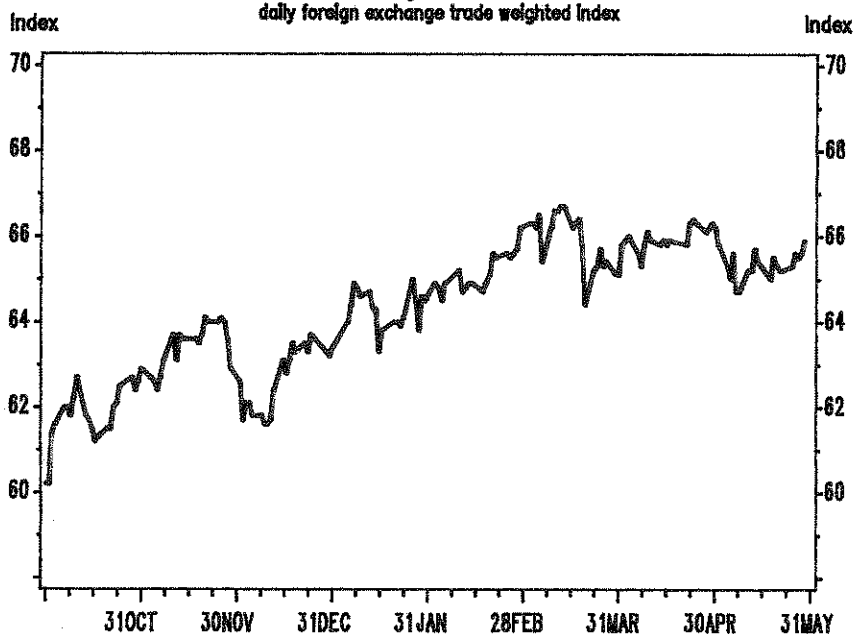
Finally, throughout the period retail rate increases continued to lag behind rises in wholesale rates.

Through the March quarter financial institutions were responding to increased wholesale funding costs experienced over the previous several months by increasing base rates, overdraft and term rates to historically high levels. The lag in the pattern of adjustment of retail rates relative to movements in funding costs means that falls in wholesale market interest rates had not begun to impact on retail rates by the end of the review period, though in late May some banks did begin to reduce their base rates.

Foreign Exchange Developments

A similar pattern to that seen in longer term interest rate developments emerged with the New Zealand dollar exchange rate over the review period (see figure 3). Upward pressure on the exchange rate index continued from December until early March at which time the index had increased by 4.5 per cent to 66.5. This pressure reflected tightening liquidity conditions, high interest rates and several large issues of Eurokiwi and Yankee Kiwi Bonds. An increase in overseas

Figure 3
Exchange Rate Index
daily foreign exchange trade weighted Index



residents' holdings of government stock was also recorded, indicating increased capital flows to take advantage of the high New Zealand stock yields.

On 6 March 1987 the exchange rate fell to 65.4, coinciding with the release of political poll results and also reflecting a technical adjustment due to fears of a pending bank officers' strike. These falls were, however, short lived as increased short-term funding pressures resulted in a firming exchange rate which did not abate until the cash target was raised at the end of April. Over the period 27 April 1987 to 7 May 1987 the exchange rate index fell from 66 to 64.7 before returning to 65.5 later in May.

As noted, the announcements of lower than expected 1987/88 fiscal deficit and public debt programme forecasts resulted in overall declines in long-term government stock yields. However, this trend has not been fully reflected in the exchange rate. The exchange rate has continued at around its peak levels of 65 — 66 even though both short and long-term interest rates fell in early May. This outcome may reflect increased confidence in the future of the New Zealand economy, perhaps flowing from the positive economic news in March and April.

Analysis of Developments

As indicated, liquidity developments (as reflected in short-term interest rate patterns) over the review period were somewhat unusual. Rather than declining as expected, after easing marginally at the start of April, by the second week of April short-term interest rates had climbed to higher levels than were reached in March. This indication of exceptionally tight monetary conditions, supported by the movements in the yield curve shape and other signs of liquidity stress, raised important questions for monetary policy. The problem facing the monetary authorities was accurate identification of the cause of developments, and the appropriate policy response, if any. It was not clear whether

the post-March appreciation of short-term interest rates was caused by fundamental underlying forces, such as the balance sheet growth and the lagged effects of expansionary lending, or whether transitory factors specific to the period were responsible. The alternative explanations are described below:

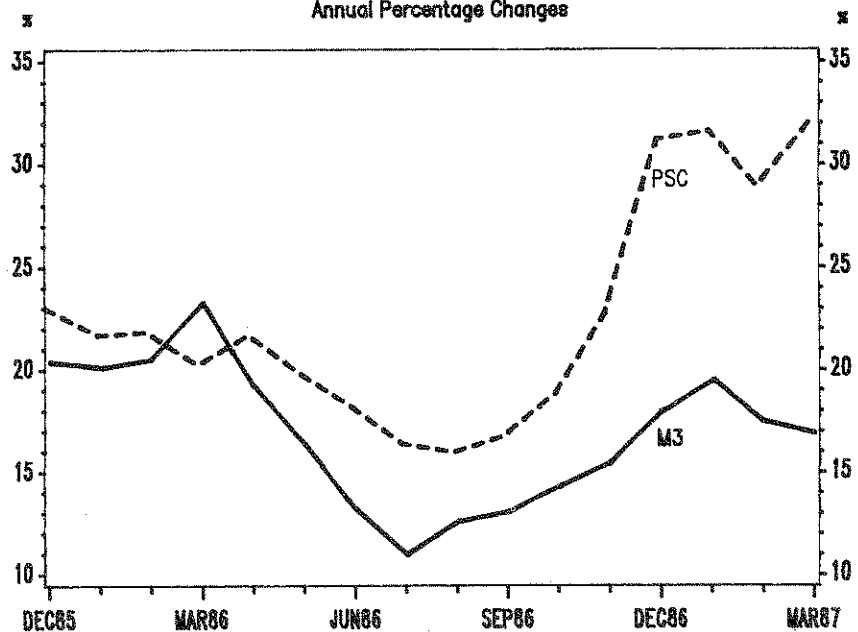
1. One of the more obvious special factors at work during the period was the March tax drain, and the impact of that on both liquidity management operations and the portfolio structures of individual institutions.

Fiscal withdrawals exceeded forecasts by some \$900 million over the month of March. Financial institutions were effectively 'caught short', having structured their balance sheets to fund a lower anticipated level of flows than actually occurred. The resulting shortage of liquidity was accommodated by some discounting of government securities with the Reserve Bank, but principally by Reserve Bank liquidity management operations. In the main the Bank made short-term advances to the banking system in the

form of 'sell backs' of government securities which were timed to mature throughout April and May. The volume of such advances was large. The maturities of these short-term loans are thought to have been shorter and more liquid than the private deposits they replaced —thereby causing portfolio mismatches, forcing many institutions to refinance in April, and putting pressures on rates in April and May. It is not clear, however, why short-term rates did not increase in March as soon as the nature of the problem became clear. Instead, the major jump in short term interest rates did not come until mid-April.

2. The \$400 million government stock tender held on 18 April 1987 may have compounded shorter term funding problems. As the last day of settlement for the tender was scheduled for 11 May 1987, fears concerning the availability of liquidity may have caused institutions to increase their demand for short-term paper maturing after 11 May 1987, thus forcing up relevant interest rates. However, again it is not clear why short-term

Figure 4
Monetary Aggregates
Annual Percentage Changes

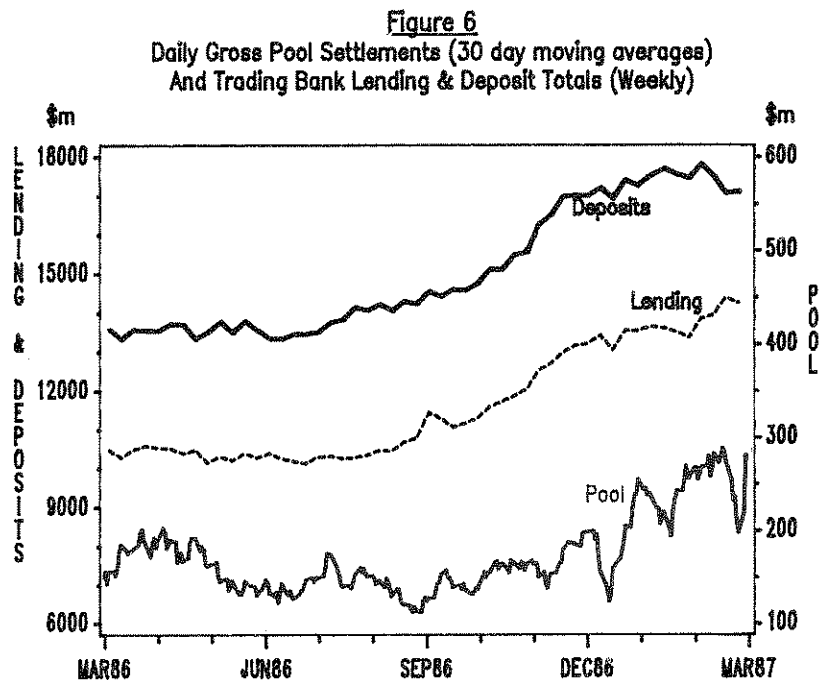
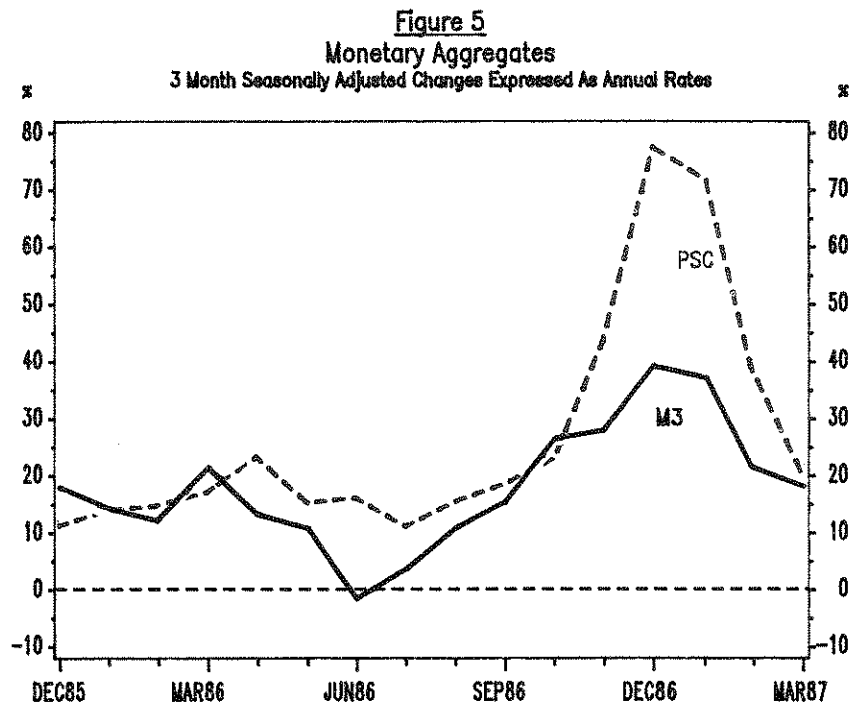


rates for April and May did not rise correspondingly when the tender was originally announced on 24 March 1987, if this was a major factor in developments.

3. Thirdly, and more fundamentally, there was the earlier expansion of financial institution's balance sheets. Over the year to March private sector credit increased by 28.7 per cent and M3 by 16.1 per cent while early indications of developments in April suggest that balance sheets had continued to grow (see figures 4 and 5). Such growth would tend to increase the daily magnitude of flows between financial institutions, and thereby increase the demand for available liquidity. Depositors and borrowers with access to credit are more likely to withdraw and deposit greater quantities of money if they hold more deposits and have increased access to credit. Trading banks, as major financial institutions and as bankers to other financial institutions, are in such circumstances likely to increase their demand for settlement assets thereby tightening liquidity conditions and raising the yield on PL assets.

Figure 6 is suggestive of such a relationship between the increased level of deposits and lending and the absolute volume of flows between the trading banks. Between August 1986 and March 1987, the monthly total of interbank 'pool' settlements nearly doubled, while over a corresponding period bank deposits and lending grew by 15.3 per cent and 31.4 per cent respectively. While to some extent the more recent growth in settlement flows may reflect seasonal considerations, it is also clear from figure 6 that substantial annual growth occurred in the volume of settlement flows.

As the volume of inter-institutional settlement flows increased, so did their volatility. While this would be expected, a compounding factor may have been a rise in the proportion of total funding made up by short-term deposits. As indicated by table 1



deposits maturing in less than 3 months to maturity made up 64 per cent of deposits in March, an increase of 28.8 per cent over a year earlier. The shorter deposit maturity terms result in increasingly rapid funding turnover increasing the potential for funds to move from institution to institution.

The volatility and volume of inter-institutional flows has also increased as a result of the growth in the wholesale money markets. Money sourced on these markets has tended to shift from institutions more frequently in search of the highest yields. Simultaneously, the impor-

Table 1
Trading Banks
Maturity Structure of Deposits

Month ended	31.3.86	31.10.86	25.3.87
Under 3 months	35.2	62.9	64.0
3-6 months	31.7	15.9	20.0
6 mths-1 Year	16.8	12.6	10.0
1-2 years	9.8	5.7	4.0
2-4 years	3.9	2.7	1.1
4 years and over	2.6	0.1	0.9
Total	100.0	100.0	100.0

tance of the wholesale markets as a source of funding has also increased with the tightening conditions. When interest rates rose above overdraft rates, large borrowers with access to overdraft funds are known to have exercised these overdrafts and lent the money obtained at a profit on the wholesale money markets. Such arbitrage is likely to have increased both the proportion of funding via the wholesale markets and the volume of short-term deposits.

Working together these two factors probably contributed to rapidly rising volatility in the level of inter-institutional flows. As the volatility and volume of transfers between institutions increased, the demand for short-

term assets and PL for settlement purposes can be expected to have also increased, placing upward pressure on interest rates. Some indication of such outcomes is apparent in figure 7, which graphs the call rate against a less-smoothed track of 'pool' settlement flows which clearly shows increased volatility.

The Policy Response

Although it was not possible to be certain about the relative strength of the various explanations of liquidity developments, it appeared likely that the short-term monetary stance had become tighter than was necessary to achieve consistency of liquidity man-

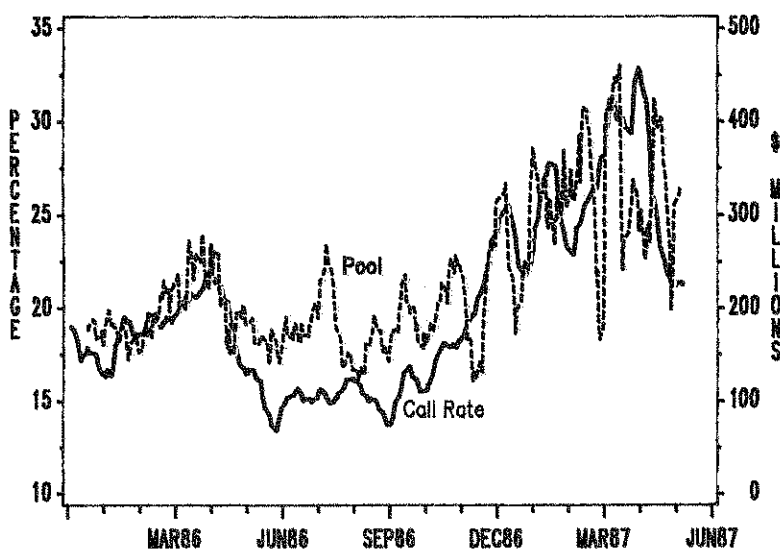
agement operations with the medium-term objectives of monetary policy. Accordingly, a decision was made to increase the cash target on 27 April 1987, from \$30 to \$40 million.

Part of the background to this policy adjustment was a concern to avoid an unwarranted easing of monetary policy, particularly in view of the rapid balance sheet expansion which had occurred in the months prior to February. It was probable that this expansion had been one of the leading causes of upward pressures on liquidity in March and April. Higher interest rates are an essential part of the mechanism through which tendencies towards excessive expansion are kept in check.

Nevertheless, other considerations were also relevant:

- Factors apart from excessive balance sheet growth were also present;
- These other factors were typically either transitory in nature (as with liquidity management influences generating an 'overhang' from the higher than expected tax flows in March), or were themselves a partial product of the pressures (such as arbitraging against unused corporate overdrafts still at lower interest rates than those available on money markets).
- The underlying demand for money and credit in the economy was likely to have expanded as a direct result of the one-off price rise associated with GST. To not accommodate a monetary expansion due to this source would implicitly involve an attempt to prevent prices rising by the amount of extra indirect tax. Such an approach could mean considerable output losses being forced on the economy for no substantive gain (bearing in mind that the price increases associated with GST were one-off in nature, rather than part of an inflation process). The difficulty in accommodating a one-off price shock of this nature is, however, determining exactly what change in policy settings is appropriate, and the optimal timing for such moves. Concerns in regard to the latter issue were the

Figure 7
Daily Gross Pool Settlements
And Daily Call Rates (10 day moving averages)



major reason for not attempting to accommodate the GST price shift in anticipation of, or coincident with the impact of GST, particularly in the context of a wage round in which it was important that nominal wage adjustments not be made for GST.

— Finally, determining the appropriate stance for monetary policy involves making a judgment about how firmly pressure can be applied to income without overstraining the economy's capacity to adjust. In exercising this judgment, the view was taken that even if

transitory and GST factors were relatively minor factors in liquidity developments through April, an easing in the policy settings was appropriate.

It was also clear at the time that the decision to alter the policy setting was made that the cash target could be returned quickly to \$30 million when conditions eased. In the event, short-term rates fell quite rapidly after the introduction of the \$40 million cash target. Longer term rates followed this decline and on 12 May 1987, the cash target was restored to its

previous \$30 million level. The interest rate response to the resetting of the target was minimal, with a temporary jump in short-term rates not being significant enough to interrupt the tendency of longer term rates to ease. Given this experience, it appears that in fact that most of the unusual pressures on rates during April were of a temporary rather than fundamental nature. In particular, market 'nervousness' is likely to have been a highly relevant factor, probably produced by the series of surprises associated with the size of the tax drain.

Open Market Operations
Period: 3March 1987 — 11 March 1987

Date 1987	Transaction	Maturity	Volume Offered \$m	Volume Bid \$m	Total Amount Sold \$m	Total Amount Purchased \$m	Range of Bids Received %	Range of Successful Bids %	Average of Successful Bids %
March3	Treasury Bills	20/3/87	40	137	40	—	24.24-26.00	24.24-24.92	24.74
March4	Sellback	16/3/87	95	225	—	95	22.45-26.31	25.63-26.31	25.91
March5	Sellback	16/3/87	145	461	—	145	25.25-27.14	26.52-27.14	26.83
March6	Sellback	11/3/87	55	110	—	55	25.45-28.16	28.16	28.16
March9	Sellback	16/3/87	45	90	—	45	24.50-26.01	24.77-26.01	25.40
March10	Treasury Bills	11/3/87	15	45	15	—	24.50-26.0	24.5	24.5
March11	Treasury Bills	6/5/87)		20	—	15	23.5 -25.48	25.02-25.48	25.22
		8/5/87)		6	—	6	25.19-25.33	25.19-25.33	25.26
		20/5/87)		4	—	4	25.08-25.18	25.08-25.18	25.13
		21/5/87)	240	5	—	5	24.5 -24.75	24.5 -24.75	24.66
		22/5/87)		5	—	—	23.25	—	—
		26/5/87)		5	—	—	22.00	—	—
	Sellback	16/3/87)		265	—	190	23.11-27.76	24.8 -27.76	26.00
March12	Treasury Bills	6/5/87		7	—	7	24.75-25.05	24.75-25.05	24.84
		21/5/87		5	—	5	24.65	24.65	24.65
		22/5/87		6	—	6	24.65	24.65	24.65
		25/5/87	275	1	—	1	24.75	24.75	24.75
		26/5/87		5	—	5	24.65	24.65	24.65
	Sellback	16/3/87		195	—	71	23.34-26.33	25.25-26.33	25.44
		20/3/87		200	—	80	23.14-26.2	25.5 -26.2	25.84
		23/3/87		260	—	100	23.14-26.17	25.57-26.17	25.82
March13	Treasury Bills	6/5/87		4	—	—	24.68-24.70	—	—
		8/5/87		4	—	—	24.66-24.68	—	—
		26/5/87	160	4	—	—	23.65	—	—
	Sellback	25/3/87		245	—	73	25.6 -26.9	26.07-26.9	26.48
		30/3/87		202	—	87	25.27-26.5	25.95-26.5	26.18
March16	Treasury Bills	20/5/87		1	—	—	24.5	—	—
	Sellback	24/3/87	120	150	—	40	25.16-26.90	26.75-26.90	26.81
		30/3/87		253	—	80	24.85-26.58	26.03-26.58	26.29
March17	Treasury Bills	20/5/87		1	—	—	24.75	—	—
		22/5/87	300	5	—	—	24.85	—	—
	Sellback	1/4/87		341	—	160	22.5 -26.52	26.18-26.52	26.37
		13/4/87		335	—	140	25.05-26.66	26.15-26.66	26.29
March18	Treasury Bills	6/5/87		4	—	4	25.35-25.45	25.35-25.45	25.40
		8/5/87		4	—	4	25.26-25.35	25.26-25.35	25.3
		20/5/87	260	1	—	1	25.0	25.0	25.0
		26/5/87		4	—	—	24.03	—	—
	Sellback	15/4/87		320	—	251	22.75-26.46	25.64-26.46	25.97
March19	Treasury Bills	May	70	—	—	—	—	—	—
	Sellback	13/4/87		230	—	70	25.25-26.50	26.02-26.50	26.17
March20	Treasury Bills	6/4/87)		151	—	66	25.78-26.65	26.5 -26.65	26.58
		26/5/87)	130	4	—	—	24.33	—	—
	Sellback	1/4/87)		180	—	29	25.35-26.8	26.57-26.8	26.67
		2/4/87)		92	—	35	25.35-26.66	26.58-26.66	26.62
March23	Treasury Bills	31/3/87)	105	225	105	—	25.98-28.26	25.98-26.96	26.44
March24	Sellback	1/4/87	40	59	—	39	25.88-27.50	26.82-27.50	27.17
March25	Treasury Bills	22/4/87)		2	—	2	27.25	27.25	27.25
		23/4/87)		2	—	2	27.25	27.25	27.25
		24/4/87)	90	2	—	—	25.0	—	—
		6/5/87)		3	—	—	25.0 -26.75	—	—
	Sellbacks	1/4/87)		178	—	23	26.93-29.0	28.2 -29.0	28.56
		14/4/87)		333	—	63	26.48-28.21	28.13-28.21	28.16
March26	Sellback	1/4/87)		105	—	35	27.05-29.59	29.05-29.59	29.32
		2/4/87)	80	180	—	40	27.10-29.54	29.04-29.54	29.30
		22/28/4/87)		—	—	—	—	—	—
March27	Sellback	14/4/87)		322	—	155	25.27-29.02	27.97-29.02	28.31
		22/4/87)	305	305	—	150	25.27-28.13	27.76-28.13	27.91
March30	Treasury Bills	31/3/87)	85	35	32	—	27.97-28.5	27.97-28.5	28.17
		26/5/87)		105	53	—	25.76-26.62	25.76-26.21	26.03

Open Market Operations
Period: 26 March 1987 — 31 March 1987

Date 1987	Transaction	Maturity	Volume Offered \$m	Volume Bid \$m	Total Amount Sold \$m	Total Amount Purchased \$m	Range of Bids Received %	Range of Successful Bids %	Average of Successful Bids %
March 31	Treasury Bills	24/4/87)		5	—	5	25.8	25.8	25.8
		27/4/87)		2	—	2	25.8	25.8	25.8
	Sellback	23/4/87)	255	179	—	50	26.3–28.79	28.2–28.79	28.46
		6/5/87)		280	—	110	25.51–28.19	27.45–28.19	27.89
		15/5/87)		265	—	88	24.13–27.94	26.8–27.94	27.55
April 2	Treasury Bills	14/4/87	25	70	25	—	24.89–35.25	24.89	24.89
April 3	Treasury Bills	9/4/87)		20	15	—	26.98–28.94	26.98–28.94	28.29
		10/4/87)		30	30	—	27.19–28.95	27.19–28.95	27.78
		14/4/87)	180	25	25	—	26.93–28.95	26.93–28.95	28.02
		20/5/87)		70	25	—	26.3–28.0	26.3–26.48	26.43
		26/5/87)		89	26	—	26.1–27.05	26.1–26.48	26.36
April 6	Treasury Bills	22/5/87	15	50	15	—	25.93–28.0	25.93	25.93
April 7	Sellback	8/4/87	65	128	—	65	26.52–27.6	27.03–27.6	27.41
April 8	Treasury Bills	24/6/87	35	150	35	—	24.94–26.45	24.94	24.94
April 9	Treasury Bills	3/6/87)	90	145	30	—	25.47–26.13	25.47–25.58	25.55
		25/6/87)		149	60	—	24.96–26.43	24.96–25.20	25.09
April 10	Treasury Bills	26/6/87	15	55	15	—	25.11–26.10	25.11–25.27	25.18
April 13	Treasury Bills	22/4/87)		20	—	15	24.0–26.86	26.27–26.86	26.64
		23/4/87)	105	10	—	5	24.0–26.7	26.7	26.7
		24/4/87)		5	—	5	26.23	26.23	26.23
	Government Stock	15/5/87)		14.5	—	14.5	25.75–26.1	25.75–26.1	25.83
April 14	Treasury Bills	6/5/87)		10	—	10	25.0	25.0	25.0
	Government Stock	15/5/87)	150	18	—	18	25.1–27.7	25.1–27.7	26.54
	Sellback	13/5/87)		317	—	100	26.86–28.36	27.9–28.36	28.1
April 15	Sellback	29/4/87	15	90	—	15	27.90–29.13	29.13	29.13
April 16	Treasury Bills	20/5/87)	120	1	—	—	24.5	—	—
	Sellback	24/4/87)		150	—	40	25.16–26.90	26.75–26.90	26.81
		30/4/87)		253	—	80	24.85–26.58	26.03–26.58	26.29
April 21	Treasury Bills	30/6/87	15	30	15	—	24.77–27.5	24.77–26.27	25.30
April 22	Sellback	12/5/87	20	75	—	20	28.28–30.66	30.66	30.66
April 23	Sellbacks	4/5/87)	15	85	—	15	31.27–32.95	32.77–32.95	32.85
April 24	Treasury Bills	27/4/87)	125	40	Nil	—	41.0–45.0	—	—
		16/6/87)		69	20	—	26.48–29.71	26.48	26.48
		29/6/87)		75	40	—	26.98–30.14	26.98	26.98
		23/7/87)		33	18	—	26.81–28.98	26.81–27.85	27.25
		28/7/87)		80	30	—	26.89–30.0	26.89–27.61	27.32
April 27	Sellback	28/4/87)	115	60	—	50	34.0–37.92	35.98–37.92	37.04
		15/5/87)		180	—	65	30.14–34.27	32.0–34.17	33.53
April 28	Treasury Bills	26/6/87)	45	31	9	—	26.20–28.12	26.20–26.85	26.47
		30/6/87)		52	15	—	26.20–28.11	26.20–26.89	26.40
		2/7/87)		39	21	—	26.02–28.50	26.02–26.96	26.33
April 30	Sellback	18/5/87	25	55	—	25	26.96–28.37	27.74–28.37	28.24
May 1	Treasury Bills	19/6/87)	45	42	10	—	25.88–27.19	25.88–25.98	25.92
		24/7/87)		96	35	—	24.24–25.75	24.24–25.15	24.67
May 4	Sellbacks	20/5/87	45	41	—	15	23.51–25.19	25.02–25.19	25.11
May 5	Treasury Bills	6/5/87)	75	—	—	—	—	—	—
		27/7/87)		105	35	—	22.15–23.11	22.15	22.15
May 6	Treasury Bills	8/5/87)	15	40	10	—	24.48–25.85	24.48	24.48
		27/7/87)		25	5	—	23.06–23.60	23.06	23.06
May 7 & 8	No Open Market Operations								