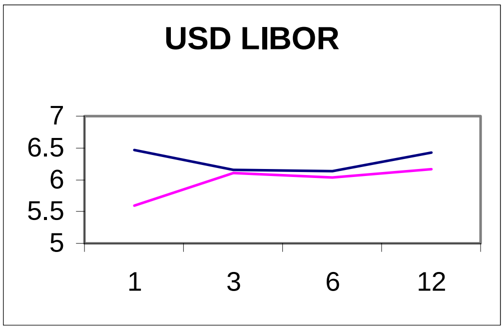
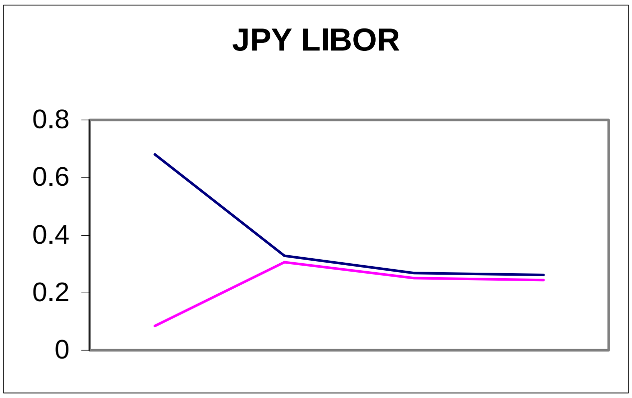
<u>**Y2K and interest rates market.**</u>

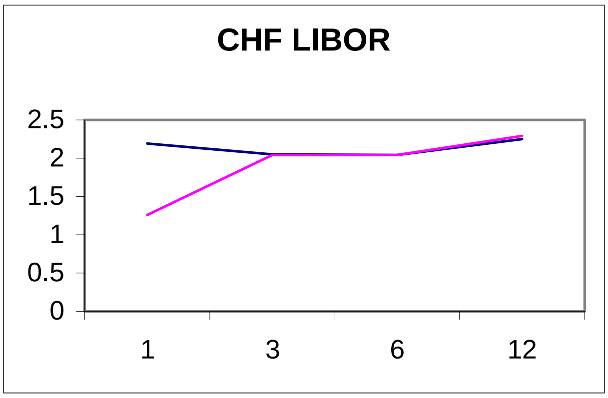
It might seem funny, that there could be a link between Y2K and the interest rate markets. However, with computerization in the Western world being a norm, Y2K bug has finally managed to catch with the finance market.



For one, internationally no one is taking a chance. Bank globally, have ecided to carry extra liquidity with them from Dec. 15 to Jan 15. Also, banks have decide to not to actively lend and borrow near the Y2K period. The result is reflected in the charts of Libor of major currencies.



We have taken the USD, JPY and CHF Libor charts as on Dec. 17 and Nov. 17. The charts have a very interesting story to tell. As can be observed the 1 month in all the 3 cases has move sharply higher than the 3 month Libor. Also, accept for 1 month Libor, the other 3 Libor on both dates Nov 17 and Dec 17 tend to converge. In fact, the complete shape of the interest rate curve has moved from a normal upward slopping curve to a downward slopping curve as we moved from Nov 17 to Dec. 17, 1999



Why, such a move. Well the answer is Y2K. As one month from now fall into the Y2K period of Dec 15 to Jan 15, no one is taking changes and are attaching higher cost for lending funds during that period. Once the Y2K story is over we should once again see the market going back to normal and what we have seen by way of a shift in the curve from a normal upward slopping curve (Nov 17 Libor) to a downward slopping curve (Dec 17) should correct itself to a normal (upward slopping curve).