

Adjustment of Base Rate

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority announced today (July 28) that the Base Rate was adjusted upward to 2.75 per cent with immediate effect according to a pre-set formula.

The Base Rate is the interest rate forming the foundation upon which the Discount Rates for repurchase transactions through the Discount Window are computed. The Base Rate is currently set at either 50 basis points above the lower end of the prevailing target range for the US federal funds rate or the average of the five-day moving averages of the overnight and one-month Hong Kong Interbank Offered Rates (HIBORs), whichever is the higher.

Following the 75-basis point upward adjustment in the target range for the US federal funds rate on July 27 (US time), 50 basis points above the lower end of the prevailing target range for the US federal funds rate is 2.75 per cent, while the average of the five-day moving averages of the overnight and one-month HIBORs is 0.79 per cent. The Base Rate is therefore set at 2.75 per cent according to the pre-set formula.