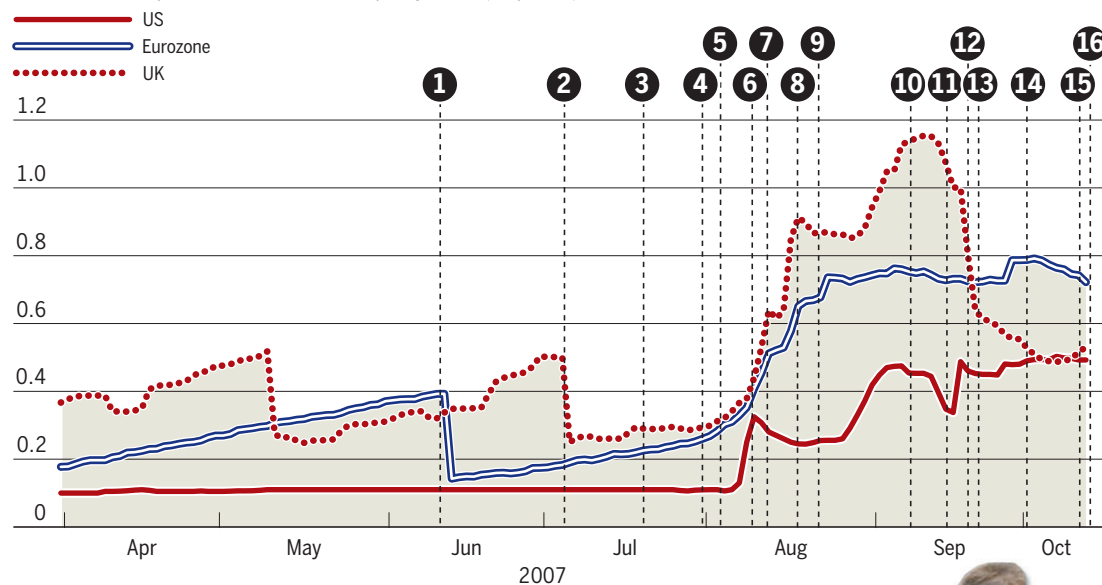


Diary of the squeeze

Libor spreads

3-month Libor spreads over central bank policy rates (% points)



- Jun 6** European Central Bank raises interest rates to 4 per cent on inflation concerns
- Jul 5** Bank of England raises interest rates to 5.75 per cent as economy still appears strong
- Jul 19** Bear Stearns admitted that its highly leveraged hedge fund was on the brink of collapse
- Jul 30** IKB, a German bank is rescued by its main shareholder. It ousts its chief executive and issues a profit warning
- Aug 3** Equities fall sharply and analysts begin to worry
- Aug 7** Federal Reserve refuses to cut its 5.25 per cent rate, but concedes 'credit conditions have become tighter'
- Aug 9** BNP Paribas freezes deposits in some of its hedge funds as liquidity dries up in money markets
- Aug 17** Federal Reserve cuts its discount window for emergency lending to banks
- Aug 22** European Central Bank lends emergency funds for three months as asset backed commercial paper market now effectively shut
- Sep 7** Equities plunge on poor US payroll figures
- Sep 14** Bank of England rescues Northern Rock, a UK mortgage bank, by acting as lender of last resort. Bank run starts
- Sep 18** Federal Reserve cuts its main interest rate by 0.5 percentage points to 4.75 per cent, sparking euphoria in financial markets
- Sep 17** UK government stop the run only when it guarantees all the deposits in Northern Rock indefinitely. Recriminations begin
- Oct 1** UBS and Citigroup reveal large losses in the third quarter
- Oct 8** Rodrigo Rato, IMF managing director, warns that the economic consequences of the credit squeeze would be long-lasting
- Oct 11** Equities rally as investors believe the worst is over

Central bank rate changes during 2007

%

European Central Bank	
Mar 14	3.50 to 3.75
Jun 13	3.75 to 4.00
Federal Reserve	
Sep 18	5.25 to 4.75
Bank of England	
Jan 11	5.00 to 5.25
May 10	5.25 to 5.50
Jul 5	5.50 to 5.75

Source: Thomson Datastream FT Graphic Photo: Getty Images

