

Thursday, 14th January 1982

The dollar remained the focus of attention today, gyrating quite wildly at times both for better and for worse. Sterling, while remaining relatively soft and vulnerable, yet performed rather better today, at least insofar as operators were less inclined to sell it short. The ERI fell from 90.3 to 90.1, after 90.0 this morning.

Soviet buying of dollars took that currency sharply firmer in New York yesterday. Sterling fell to 1.8587 at the close, while improving slightly against the deutschemark (4.29). This morning the dollar opened very firm again (eurodollars were around  $\frac{1}{2}\%$  better bid) but could not retain all of the recent gains. The pound began at 1.86 and was sold down to 1.8550 (DM 4.27 $\frac{1}{2}$ ) on the early exchanges before stabilising around 1.86, a level which persisted well into the afternoon. New York's domestic markets opened a little better and Federal funds were steady around yesterday's closing levels (12 $\frac{5}{8}$ -12 $\frac{3}{4}\%$ ). The exchanges remained quiet for a good while but late in the day the dollar suddenly turned sharply better. Sterling proved relatively well protected and fell no lower than 1.8550 before closing at 1.8575. Later still, the Federal Reserve's absence from the domestic market and the continuing better tone for bonds brought a sharp reversal in the dollar, sterling recovering to 1.8635. Three-month eurodollars were harder by  $\frac{3}{8}\%$  (14 5/16%), sterling deposits by  $\frac{1}{8}\%$  (15 9/16%). The forward discount narrowed appropriately by  $\frac{1}{4}\%$  to 15/16% p.a. so that the intrinsic premium was unchanged at 5/16%.

The pound lost  $\frac{3}{8}\%$  to a resurgent Swiss franc (3.46 $\frac{1}{2}$ ) but regained  $\frac{1}{8}\%$  over the French franc (10.89 $\frac{1}{2}$ ) and  $\frac{1}{4}\%$  over the deutschemark (4.29 $\frac{1}{2}$ ). The deutschemark eased against the dollar to 2.3110 (after 2.3155) but was later 2.3072. The Bundesbank sold \$5mn. at the fixing. The florin (2.5285) and Belgian franc (39.28) contained EMS, 1 $\frac{1}{2}\%$  apart. The Dutch bought deutschemarks worth \$22mn. The Irish took in \$15mn. The Danes and Italians each sold \$20mn. Elsewhere, the Swiss franc eased to 1.8632 (after 1.8675) but then led the dollar down and was last seen at 1.8537. The yen closed at 224.65 in New York yesterday after \$60mn. of support from the Bank of Japan. In Tokyo this morning it finished at that same level, although no further intervention was forthcoming. In London the yen fell to 225.43 before closing at 225.05.

Gold had another active and nervous morning. Starting the day at \$376.50, the metal was sold down before the fixing, which, itself an active session, set a level of \$371. Early this afternoon the market toyed with \$370 but, with American markets better, gold recovered, despite the stronger dollar, to fix at \$374.75 and close around \$377.

Operations:	Market	+	\$8mn.
	Interest	+	8
	Iran	+	5
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			+ \$21mn.
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JG 14th January 1982

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