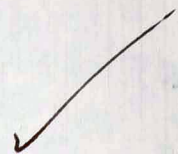


FE 2/2 4

SECRET

THE DEPUTY GOVERNOR



FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 4th February 1982

The tightness of Federal funds yesterday made for continuing firmness in the dollar today. Sterling met strong demand in the Far East this morning and was dealt at a five-month high against the deutschemark. By contrast, the pound was sold from New York this afternoon. The ERI fell to 91.7, after 92.0 this morning.

The pound closed at 1.8612 in New York yesterday. American sources bid heavily for sterling against deutschemarks in the Far East this morning and the pound traded briefly above DM4.40 for the first time since last September. In London sterling opened at 1.8670 and after reaching 1.8675, traded quietly and steadily around the opening level through the morning. The first Americans bought the dollar and sterling dipped to 1.8630. Federal funds, however, opened softer than expected at 15% and the dollar retreated again, sterling reversing to opening levels. Eventually, however, money tightened in New York, the Federal Reserve did not intervene, and the dollar finished on an upbeat. Sterling met professional selling from New York and closed at 1.8616. Three-month eurodollar and sterling deposits were each 1/16% firmer at 15 1/2% and 14 9/16% respectively. The forward premium narrowed to 1 1/2% p.a. and only a small intrinsic premium remained.

The pound closed a touch softer in France (11.12 1/2), Switzerland (3.5158) and Germany (4.37 1/2). The dollar was barely changed in these countries at 5.9772, 1.8887 and 2.3515 respectively. The florin (2.5757) edged out the lira (1258) at the top of EMS, 1 9/16% distant from the Belgian franc (40.04). The Irish sold \$9mn. The Japanese sold \$7mn. in New York yesterday but the yen received no support today, closing little changed in London at 233.97.

Gold and silver met strong demand this morning from the Middle East and this gave some support for the rest of the day. Fixings were both at \$383.75.

Operations:	Market	+	\$25mn.
	Interest	+	11
	India	+	9
	Sundries	+	9
			<hr/>
		+	\$54mn.
			<hr/> <hr/>

*JGH*

4th February 1982

JGH

US BOND AND MONEY MARKETS

Thursday, 4th February 1982

Federal Funds

Opening: 15%  
Range: 15-15 $\frac{3}{8}$ %  
Close: 15 $\frac{3}{8}$ %

US Governments (NY closing bids)

2-year: 100 $\frac{1}{8}$  (=) 14 15/16%  
5-year: 93 $\frac{3}{8}$  (- $\frac{1}{8}$ ) 14 $\frac{5}{8}$ %  
10-year: 99 $\frac{1}{2}$  (- $\frac{1}{2}$ ) 14 $\frac{3}{4}$ %  
30-year: 96 $\frac{1}{2}$  (- $\frac{7}{8}$ ) 14 $\frac{1}{2}$ %

Euro-dollars (Today's opening  
London bid)

7-day: 15 $\frac{1}{4}$ %  
1-month: 15 $\frac{3}{8}$ %  
3-months: 15 $\frac{1}{2}$ %  
6-months: 15 9/16%

Federal Reserve Operations:

Indicators

Comment: The lower-than-expected opening on Funds gave the market a slight lift at the start but the early gains were soon lost. In very quiet trading, prices drifted lower throughout the day as the Funds rate moved higher and as supply considerations weighed heavily on a market in which there is minimal investor interest. Closing prices were slightly above the lows for the day.

The \$2.5bn. new 30 year was auctioned at an average of 14.56.

4th February 1982

TRS