

FE2/24

SECRET

1.80 \$/£ upon
 1.8795 then
 1.8700 now
 90.0

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 8th March 1982

Sterling was quite keenly sold in New York during Friday evening by a large American commodity house and was further offered out of Dutch names this morning; the threat of a reduction in OPEC oil prices was a more likely catalyst than the likelihood of further interest rate easing later this week. The dollar recovered from a weak showing in New York and kept up the pressure on some members of EMS in spite of the new round of prime rate reductions to 16%. Sterling's ERI declined to 90.2.

In New York the pound ended last week at 1.8310, after 1.8250. It began this week in London at 1.8308 and in early trading crept up to 1.8353 but it was soon below 1.83 as the strength of selling from Amsterdam began to bite. By mid-afternoon it had fallen to 1.8230 but recovered to close at 1.8260. Interest rates opened much lower, after the \$3bn. decline in American M1 figures, and then held steady. Interest parity continued on a covered basis. Euro-dollars closed at 14 3/16%, interbank sterling 13 3/8%.

Against the French franc the pound lost over 3/4%, to 10.93 15/16; in deutschemark terms the fall was 1%, to 4.26 15/16; and against a very strong Swiss franc the fall was nearly 1 1/2%, to 3.35 11/16%. The latter currency improved to 1.8390 against the dollar and to 0.78 3/4 against the deutschemark. EMS remained quite narrow, about 3/4% wide at the close, but the French sold \$108mn. equivalent (mostly in deutschemarks) and the Italians sold \$89mn.; the Irish sold a package equivalent to \$33mn. The lira (1262 1/2) was marginally below the deutschemark (2.3386) at the base, the florin (2.5642) staying at the top. The French franc closed at 5.9925, the yen at 233.92.

Gold has continued its decline with heavy Russian selling reported. Fixings were at \$335.50 and \$330.50 but there was a dramatic fall to \$321.25 later in New York.

Operations:	Market	-	\$10mn.
	PSB (NWC)	+	28
	Interest	+	9
	Sundries	+	5
			<hr/>
		+	\$32mn.
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	Overnight	-	\$13mn.
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8th March 1982.

DAHB

DAHB
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US BOND AND MONEY MARKETS

Monday, 8th March 1982

Federal Funds

Opening: 13 $\frac{3}{4}$ %
Range: 13 $\frac{1}{2}$ % - 13 $\frac{3}{4}$ %
Close: 13 $\frac{5}{8}$ %

US Governments (NY closing bids)

2-year: 102 $\frac{1}{2}$ (- $\frac{3}{8}$) 13 $\frac{3}{4}$ %
5-year: 101 $\frac{1}{2}$ (-1 $\frac{1}{8}$) 13 $\frac{5}{8}$ %
10-year: 104 $\frac{7}{8}$ (-1 $\frac{1}{2}$) 13 11/16%
30-year: 103 $\frac{1}{2}$ (-2 $\frac{1}{8}$) 13 $\frac{1}{2}$ %

Euro-dollars (Today's opening
London bid)

7-day: 14 $\frac{1}{8}$ %
1-month: 14 3/16%
3-months: 14 5/16%
6-months: 14 5/16%

Federal Reserve Operations:

3-day reverse repurchase agreements
with Fed Funds at 13 $\frac{5}{8}$ %. Stop rate
13.65%.

Indicators

Some major banks prime rates to 16% from 16 $\frac{1}{2}$ %.

Comment:

The market opened below Friday's post-money supply closes and immediately started to give ground on profit-taking. Prices fell steadily throughout the morning, despite the prime rate cuts, and the pace of the decline accelerated when the Fed entered to do reverses. The slide continued throughout this afternoon and the market closed near its lows.

9th March 1982.

TRS