

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

TUESDAY, 9TH MARCH 1982

A further bout of substantial selling of sterling in New York occurred last night but the lower opening levels this morning encouraged some buying. The Chancellor's mention of lower taxation and a lower PSBR caused the most concern, however, and pushed sterling below 1.80 for a while. As the Federal Funds rate edged up so the dollar strengthened generally. Sterling's ERI was unchanged at the close, at 90.2, having opened at 90.0.

One American bank was a large seller last night (possibly £70 mn.) and the rate fell to 1.8025 before recovering to close at 1.8042. By London's opening it had improved further, to 1.8095, and after dipping to 1.8040 strengthened on a number of buying orders to touch 1.8195 in the middle of the morning. Activity slackened a little then, though the market appeared edgy. The close, at 1.8105, came as the Chancellor rose to speak. Business was later seen at 1.7970 but as more budget minutiae became available the rate recovered and moved through 1.8050 again. Eurodollars hardened to 14½% and interbank sterling to 13½% and the covered comparison remained at parity.

The pound's weakness was principally against the dollar for it improved to 4.28½ in Germany (after 4.25½ in New York), to 10.96½ in France and to 3.37½ in Switzerland. The dollar's advance again involved the French (-\$190 mn.), Italians (-\$93 mn.) and Irish (-\$21 mn. in deutschemarks) in intervention, although EMS closed only 15/16% wide between the deutschemark, which eased to 2.3668, and the florin (2.5902). The French franc fell to 6.0597 and the yen to 2.3762.

Gold experienced another uneasy day. It fixed at \$325.50 this morning and \$329.25 later but then fell back in New York to the morning level.

Operations:	Market	- \$16 mn.
	New Zealand	- 101
	Sundries	+ 4
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		- \$113 mn.
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9th March 1982.

DAHB

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US BOND AND MONEY MARKETS

Tuesday, 9th March 1982

Federal Funds

Opening: 13 $\frac{3}{4}$ %  
Range: 13 $\frac{3}{4}$ % - 14 $\frac{1}{8}$ %  
Close: 14 $\frac{1}{8}$ %

US Governments (NY closing bids)

2-year: 102 (- $\frac{1}{4}$ ) 13 15/16%  
5-year: 101 (- $\frac{1}{4}$ ) 13 11/16%  
10-year: 104 $\frac{1}{2}$  (-) 13 11/16%  
30-year: 104 (+ $\frac{1}{4}$ ) 13 7/16%

Euro-dollars (Today's opening  
London bid)

7-day: 14 $\frac{3}{8}$ %  
1-month: 14 $\frac{1}{2}$ %  
3-months: 14 9/16%  
6-months: 14 9/16%

Federal Reserve Operations:

Indicators

Comment:

Prices opened lower this morning, improved in the early going but then gave ground as Funds moved higher. During a quiet morning, prices drifted down but improved a little around mid-day, when the Fed failed to drain reserves from the system. Despite Funds moving above 14%, activity picked up during the afternoon, particularly at the long end and the market closed with only modest changes from the previous day.

9th March 1982.

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