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THE DEPUTY GOVERNOR



FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 10th March 1982

Fear of a substantial reduction in clearing banks' base rates kept sterling a nervous market today although there was little movement in the rates despite some sizeable two-way volume. With the dollar a little easier, the pound lost ground in Europe and the ERI fell from 90.2 to 90.1.

In New York yesterday the pound advanced to 1.8120 before falling to close at 1.8077, although the dollar was otherwise little changed on London's closes. This morning, with Euro-dollars firmer, the dollar retained yesterday's strength for a while but later unaccountably softened. Sterling met a large commercial buying order in the Far East and, having opened in London at 1.8105, advanced to 1.8135 on the early exchanges. Interest-rate nervousness brought a relapse to 1.8085 but a natural recovery carried the pound up to 1.8148 later this morning. New York took the dollar higher with Federal Funds around 15%. Sterling touched 1.8065 on several occasions but was generally never far from 1.81 and closed at 1.8086. The three-month forward premium was 1½% p.a., with Euro-dollars 3/16% firmer at 14¾% and sterling deposits little changed at 13 5/16%. Sterling commanded a small intrinsic premium.

The pound lost ¼% in Switzerland (3.36½) and ⅓% in both France (10.93¼) and Germany (4.26⅔). The dollar was slightly easier in all these places at 1.8605, 6.0447 and 2.36 respectively. EMS widened to 1½%, the florin (2.5858) retaining the lead but the Belgian franc (43.74) now replacing the deutschemark at the foot of the band. The Danish krone excepted, the other participants remained in a tight cluster towards the tail and all but the deutschemark felt some pressure. The Irish sold \$8mn., the Belgians a cocktail worth \$22mn., the Italians \$89mn. and the French \$186mn. The yen was little changed at 237.55.

Gold was very steady, having rallied yesterday to \$332.50 in New York. Fixings were \$332.75 and \$333.

Operations:	Market	+	\$2mn.
	Interest	+	5
	Sundries	+	16
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		+	\$23mn.
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JGH 10th March 1982.
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US BOND AND MONEY MARKETS

Wednesday, 10th March 1982

Federal Funds

Opening: 14½%
Range: 14½% - 15½%
Close: 14¾%

US Governments (NY closing bids)

2-year: 101¾ (-¼) 13 15/16%
5-year: 100¾ (-¾) 13¾%
10-year: 104¾ (-¼) 13¾%
30-year: 103¾ (-¼) 13½%

Euro-dollars (Today's opening
London bid)

7-day: 14¾%
1-month: 14 13/16%
3-months: 14 13/16%
6-months: 14 13/16%

Federal Reserve Operations:

Overnight repurchase agreements
for system and customer account
with Fed Funds at 15%. Stop rate
13.65%.

Indicators

US retail sales in February rose 1.6%. (January revised from -1.1% to -1.5%).

Announcement of \$5.25bn. 2-year notes and \$3.75bn. 4-year notes to be auctioned on 17th and 24th March respectively.

Comment:

Prices opened lower, with Funds higher than expected but the market improved during the morning, despite the rising Funds rate which participants ascribed to the end of the statement week. Trading activity was light with little retail interest. By mid-morning prices were back to the previous day's closes and when the Fed unexpectedly supplied reserves the market moved ahead to show modest gains on the day. The announcement of the rise in retail sales caused a sharp reaction, however, and prices fell sharply, finishing only slightly above the lows.

11th March 1982.

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