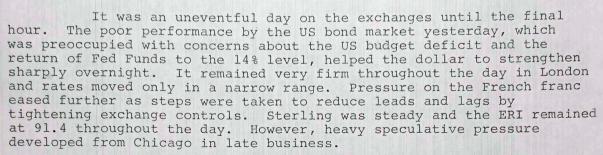
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THE DEPUTY GOVERNOR

## FOREIGN EXCHANGE AND GOLD MARKETS

## Thursday, 25th March 1982



Sterling fell back with the other currencies against a firm dollar in New York last night to close at 1.8025. This morning the rate opened at 1.8045 and, after touching 1.8065 in early business, settled around 1.8030 easing to 1.8015 at its low. Apart from some official demand, little activity was observed and the rate closed quietly at 1.8025. After the close, sparked by a rumour that HMT wished to see the ERI fall to 85, heavy selling developed out of Chicago and New York and the rate fell quickly to 1.7920. Three-month Euro-dollars were %% firmer at 15%% and sterling's forward premium widened to 1%%, leaving the covered differential narrowly in favour of London.

Sterling was unchanged in Germany  $(4.31\frac{1}{8})$ , gained  $\frac{1}{4}$ % in Switzerland  $(3.43\frac{1}{4})$  but lost  $\frac{1}{2}$ % to a recuperative French franc  $(11.23\frac{1}{8})$ . The dollar was firmer in all centres save Paris (6.2350) and closed at 2.3915 in Frankfurt and 1.9042 in Zurich. With the French franc away from the bottom of EMS, the spotlight turned on the Belgian franc (45.15) and it closed as the weakest currency,  $2\frac{1}{8}$ % below the deutschemark. The Belgians provided a package of currencies, totalling \$86mm. equivalent, in support of the franc, while the Danes sold \$41mm. and the Italians \$39mm. The Norwegians bought \$30mm. outright forward. With dollar rates moving back up, the yen surrendered yesterday's gains, closing at 244.77.

Gold fell in the face of the stronger dollar and the increasing financing costs. Fixings were at \$328 and \$327.75 but later the price was quoted down to \$325.

Operations: Market - \$8mm.

BIS + 24

IDA + 12

Government - 16

Sundries + 2

+ \$14mm.

Overnight - \$16mm.

25th March 1982.

TRS

## US BOND AND MONEY MARKETS

## Thursday, 25th March 1982

Federal Funds

Opening: 14%

Range: 13%% - 144%

Close: 141%

Euro-dollars (Today's opening London bid)

7-day: 14%%

1-month: 14 15/16%

3-months: 15%%

6-months: 15 5/16%

Indicators

Comment:

A featureless day in the bond markets, with such activity as there was largely confined to professionals. Although real interest rates are extremely high by historical standards retail investor confidence has been eroded by past volatility and they remain reluctant to commit Funds because of worries about the future course of money supply and the budget deficit. The market opened marginally lower this morning, with Funds as expected at 14%. In light trading prices moved up and down in a narrow range, closing

a little easier.

26th March 1982.

TRS

US Governments (NY closing bids)

2-year: 99¾ (-½) 14 3/16%

5-year: 99¼ (-¼) 14% 10-year: 103¼ (-¼) 13¾%

30-year: 103% (-%) 13½%

Federal Reserve Operations: