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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 30th March 1982

The dollar continued very firm, though subject to some wide swings, as the Bank of Japan, at least, fought hard to check its advance this morning and again, perhaps, this afternoon. Sterling was an active market but nonetheless very steady. The ERI fell from 90.9 to 90.8.

The pound closed a touch better at 1.7830 yesterday in New York, where the dollar was otherwise a good deal easier. This morning the pound opened at 1.7820 and traded very close to that level all day. This afternoon, before the return of New York, it touched 1.7795 but later, as the dollar eased (perhaps on further official support for the yen), sterling touched 1.7831 before closing at 1.7824. Some reasonable demand for pounds was seen this morning while this afternoon saw an active, two-way market in sterling. After opening on a firmer note, three-month Euro-dollars (15½%) closed a net 1/16% softer, as did the sterling deposit (13¾%). The forward premium was thus unchanged at 2¾% p.a. leaving in place an intrinsic premium of ½%.

The pound was a fraction easier in Frankfurt (4.30), lost all of ¾% to a much improved French franc (11.11½) but gained a hefty ½% on an uncharacteristically soft Swiss franc (3.45½). Swiss banks lowered deposit rates by a further ½% and the Swiss franc touched 1.9460 before closing at 1.9372. Against the deutschemark it traded beyond 0.80 for the first time in six weeks. The deutschemark itself firmed slightly overall to 2.4124 (after 2.4214). The French franc again traded erratically but closed considerably better at 6.2375. EMS finished fully-stretched between the deutschemark and Belgian franc (45.62). The Belgians sold \$11mn., \$13mn.-worth of Swiss francs and \$7mn.-worth of deutschemarks. The dollar set new all-time records in Belgium (45.68) and Italy (1322.65), although this was averted in Sweden by official sales of \$65mn. The Bank of Japan shelled out \$240mn. in Tokyo in defence of the yen which closed there at 245.75. The official prop removed, the yen weakened progressively in London to 247.07 only to recover sharply late this afternoon to 245.67 (thereby provoking suspicion of further official support in New York) before closing at 246.02.

Gold enjoyed another rally which began in New York yesterday and took the metal to \$328 in the Far East this morning. European markets traded steadily though business was at times quite brisk. Fixings were \$325.75 and \$324.25.

Operations: Sundries + \$8mn.

\$240m again today.
30th March 1982.

JGH

US BOND AND MONEY MARKETS

Tuesday, 30th March 1982

Federal Funds

Opening: 15½%
Range: 15¼% - 15¾%
Close: 15¾%

US Governments (NY closing bids)

2-year: 99½ (-) 14½%
5-year: 98½ (-¼) 14 5/16%
10-year: 101¾ (-¾) 14½%
30-year: 100¾ (-¾) 13¾%

Euro-dollars (Today's opening
London bid)

7-day: 15½%
1-month: 15¾%
3-months: 15 7/16%
6-months: 15½%

Federal Reserve Operations:

Fed sold \$350mn. Treasury Bills
for a customer account.

Indicators

US leading indicators in February -0.3% (c.f. -1.2% in
January, revised from -0.6%).

Comment:

After four days of decline, the market was due for a technical bounce and this occurred at the opening, despite Funds at 15½%. With a smattering of retail buying, prices gained up to half a point in the first hour of trading and then held their gains until after mid-day helped by the leading indicators figure. When the Fed failed to take action to relieve the pressure of Funds, prices began a slide which lasted the balance of the day. The market closed at its lows.

31st March 1982.

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