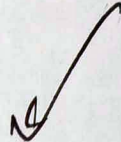


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THE DEPUTY GOVERNOR



FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 31st March 1982

The dollar struck six-month high levels this morning as overnight financing costs soared for the quarter-end. This provoked substantial official opposition in Tokyo - the effect of which was negated by Mayekawa's discussion (with a parliamentary committee) of the possibility of exchange controls - and Frankfurt, where the vehemence of the operation sufficed to turn the markets. Sterling was comfortable, albeit at somewhat discomfiting levels. The ERI rose from 90.8 to 91.0.

The pound touched 1.7860 in New York yesterday before closing there at 1.7815. This morning it opened at 1.7814 and traded quickly down to 1.7765 on the opening exchanges as the dollar forged ahead again. The Bundesbank clearly turned the tide and the dollar eased, sterling recovering to around 1.78. Towards the close, despite the cost of overnight money in New York rising to 16½%, the dollar eased a little further and the pound touched 1.7835 before closing at 1.7833. The three-month forward margin narrowed ¼% to 2% p.a. as Euro-dollars (15 7/16%) lost 1/16%. Sterling deposits were unchanged at 13½% and sterling's intrinsic premium was reduced slightly.

The pound lost ¼% in Zurich (3.44¾), gained ¼% in Paris (11.14¾) and was a touch firmer in Frankfurt (4.30½). The dollar fell in Switzerland (1.9312), was little changed in Germany (2.4120) but gained in France (6.2515) where the 7-day Treasury Bill rate was lowered from 20% to 19%. The Bundesbank sold \$100mn. in the early morning and a further \$34mn. at the fixing. EMS was held at 2½% between the deutschemark and Belgian franc (45.54): the Belgians sold \$76mn., \$10mn.-worth of deutschemarks and \$7mn.-worth of Swiss francs. The Irish sold \$32mn. and \$4mn.-worth of deutschemarks. The Dutch spent \$10mn., the Danes \$3mn. The yen weakened to 248.30 in Tokyo where the Bank of Japan poured out \$240mn. for the second day running in the yen's defence. Later it traded to 249.30 and 246.70 before closing at 247.82.

Gold was sold in New York yesterday but was steady in London at the lower levels. Fixings were \$320.50 and \$320.

| | | | |
|-------------|--------|---|-------------------|
| Operations: | Market | + | \$5mn. |
| | Iraq | + | 13 |
| | | | <u> </u> |
| | | + | \$18mn. |
| | | | <u> </u> |

The result for March is a fall in reserves of \$4,404mn., of which \$4,218mn. is due to the annual revaluation. The underlying reduction of \$186mn. was struck after net public sector debt repayments of \$40mn. The overbought forward position was reduced by \$60mn. to \$1,506mn., which was then revalued to \$1,441mn.

31st March 1982.

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US BOND AND MONEY MARKETS

Wednesday, 31st March 1982

Federal Funds

Opening: 16½%
Range: 16½% - 17¼%
Close: 16½%

US Governments (NY closing bids)

2-year: 99¾ (+¼) 14½%
5-year: 98¾ (+½) 14 5/16%
10-year: 102¼ (+½) 14¾%
30-year: 102¼ (+1½) 13 11/16%

Euro-dollars (Today's opening
London bid)

7-day: 15¼%
1-month: 15¼%
3-months: 15¼%
6-months: 15¾%

Federal Reserve Operations:

1. Overnight repurchase agreements with funds at 17%. Stop rate: 15%.
2. Purchase of \$350mn. Treasury Bills for a customer account.

Indicators

\$3¼bn. 7-year notes auctioned at an average of 14.42%.
Bids totalled \$6.1bn.

Comment:

After an erratic opening, the market improved steadily throughout the day, especially in the longer end. Partly technical, the rally owed something to expectations of a funds rate in the 15% region after the end-quarter. The Fed's operations, too, much encouraged the market.

1st April 1982

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