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SECRET

\$1.7620

83.5-90.0

THE DEPUTY GOVERNOR

2.4165 \$/DM

FOREIGN EXCHANGE AND GOLD MARKETS

801 \$352 1/2

Thursday, 8th April 1982

425 DM

Everybody's refuge for the long weekend, the dollar was immensely strong today. After some initial uncertainty, sterling was a good, two-way market this morning and finished the day slightly better on the Continent, where weekend speculative pressures beset EMU and took the pressure off the pound. Sterling's ERI closed unchanged at 90.0.

The pound closed slightly lower at 1.7625 yesterday in New York where the dollar was already somewhat firmer as Federal funds turned sharply up to 14 3/4%. This morning, eurodollars opened 1/2% better bid and tended firmer still and the dollar was very strong indeed. Sterling opened unchanged on the DM (4.25 1/2) but was marked down to 1.7570 on the dollar. Some selling was encountered in the Far East and a large commercial seller appeared in London. Sterling retreated uncertainly to 1.7490 (falling to DM 4.23 3/4) but the market seemed to sense the official hand around this level and the pound fell no further. Thereafter sterling improved steadily, touching 1.7585 just before New York returned and trading quietly and comfortably through to the close at 1.7570. The three-month premium increased to 2% pa reflecting a net rise of 3/16% in eurodollars to 15 1/2%. Comparable sterling deposits were unchanged at 13 3/8% and interest parity prevailed.

The pound was fractionally firmer in Paris (11.09 1/2) and Frankfurt (4.25 1/2) and 3/4% up in Zurich (3.48 1/2). The Swiss franc was weaker from the outset and fell to 1.9845 to the dollar and 0.8115/16 to the DM. The French franc (6.3125) was little changed against the deutschemark (2.4226); the latter closed a full 2 1/2% from the Belgian franc (45.81) in EMS. The Italians sold \$110 mn., the French \$85 mn. the Irish \$14 mn.; the Belgians shelled out \$44 mn., \$42 mn. worth of deutschemarks, \$20 mn. worth of Swiss francs and \$10 mn. worth of florins. The dollar set record high levels in Belgium (45.81), France (6.3137), Italy (1,330.75), Sweden (5.9637) and Denmark (8.2650) The yen weakened again to 248.17 despite official Japanese sales of \$110 mn. in Tokyo this morning.

Profit-taking in New York yesterday, as the dollar began to firm, took gold back to around \$350. The metal remained an active market today, trading in a narrow range slightly above that level. Fixings were \$352.50 and \$351.50.

Operations:	Market	-	\$31 mn.
	BIS o/a Nigeria	-	70
	Interest	+	12
	Sundries	+	7
		-	<u>\$82 mn.</u>

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8th April 1982.  
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US BOND AND MONEY MARKETS

Thursday, 8th and Monday, 12th April 1982.

Federal Funds

	<u>Thurs.</u>	<u>Mond.</u>
Opening:	14 $\frac{1}{2}$ %	14 $\frac{1}{4}$ %
Range:	14 $\frac{1}{8}$ %-14 $\frac{3}{8}$ %	14 $\frac{1}{8}$ %-14 $\frac{3}{8}$ %
Close:	14 $\frac{1}{8}$ %	14 $\frac{1}{4}$ %

US Governments (NY closing bids)

2-year:	100 (+9/16)	14 $\frac{1}{8}$ %
5-year:	100 $\frac{1}{2}$ (+1 5/16)	13 $\frac{7}{8}$ %
10-year:	104 $\frac{3}{8}$ (+2)	13 13/16%
30-year:	105 $\frac{1}{4}$ (+3)	13 5/16%

Euro-dollars (Today's opening  
London bid)

7-day:	14 $\frac{3}{8}$ %
1-month:	15 $\frac{1}{8}$ %
3-months:	15 $\frac{1}{4}$ %
6-months:	15 $\frac{1}{4}$ %

Federal Reserve Operations:

Thursday: \$1 bn. 4-day repurchase agreements for customer account with funds at 14 $\frac{3}{8}$ %.  
Stop Rate: 14.67%

Monday: 3-day matched sales with funds at 14 $\frac{1}{4}$ %.  
Stop Rate: 14.55%

Indicators

Friday: Producer Price Index - 0.1% March (February -0.1%)

M1: + \$0.9 bn.                      M2: + \$16.5 bn.

Monday: Consumer Credit: +\$75 mn. (February) (January + \$443 mn(r))  
Retail Sales: - 0.5% (March) (February + 2.6%(r))

Comment:

Having sold off into the long weekend for two days, the street found itself short of bonds and, when a very large Middle East order came into the market on Thursday, it went strongly ahead. The Fed.'s intervention was expected. On Monday, with an acceptable money number and some constructive statistics from the real economy, the market moved very much firmer, pausing only to ponder the Fed.'s draining operation, which was supposed to be technical. (In fact, the Fed. should shortly need to supply permanent reserves.)

*JGH*  
13th April 1982.  
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