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THE DEPUTY GOVERNOR

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FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 13th April 1982

Having fluctuated over the holiday weekend in response to the changing outlook for the Falklands dispute, sterling began today somewhat softer against a weaker dollar. Any latent pressure, however, was comfortably absorbed and the pound improved somewhat this afternoon in concert with the dollar. The ERI was unchanged throughout at 90.0.

Sterling closed little changed in New York on Thursday at 1.7575. On Good Friday, after twice dipping towards 1.75, it closed a touch easier at 1.7550. On Monday, however, it improved sharply to close at 1.7690 against an weaker dollar. This morning the dollar began softer still, with Euro-dollars rather easier. Sterling, however, opened only at 1.7640 and was sold down to 1.7590 from the Continent on the early exchanges. Thereafter, profit-taking took the pound back to 1.7643 before further Continental selling drove the rate back to 1.7610 late this morning. This afternoon was generally quiet. Sterling recovered to 1.7638 before closing at 1.7630. Three-month Euro-dollars lost $\frac{1}{4}\%$ ($15\frac{3}{8}\%$), sterling deposits ($13\frac{7}{8}\%$) gained $\frac{1}{4}\%$. The forward premium, however, narrowed by only $3/16\%$ to $1\ 13/16\%$ p.a. so that a covered differential of $5/16\%$ opened up in London's favour.

The pound was little changed in Germany ($4.25\frac{1}{4}$), lost $\frac{1}{8}\%$ in France (11.08) and $\frac{3}{8}\%$ in Switzerland ($3.47\frac{1}{8}$). The dollar eased in these countries to 2.4148, 6.2850 and 1.9692 respectively. EMS closed $2\ 1/16\%$ spread between the deutschemark and Belgian franc (45.57). On Friday the Italians sold \$100mn. and the Belgians \$18mn.-worth of deutschemarks. Nothing was done today. The yen improved to 246.65.

Gold was a very active two-way market today at around Thursday's levels. Fixings were \$352.50 and \$353.50.

Operations:	Market	+	\$12mn.
	Interest	+	14
	Iraq	+	9
	Government	+	8
	IDA	+	5
	Sundries	-	3
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		+	\$45mn.
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13th April 1982.

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US BOND AND MONEY MARKETS

Tuesday, 13th April 1982

Federal Funds

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

US Governments (NY closing bids)

2-year: 99½ (-½) 14¼%
5-year: 100 (-½) 13 15/16%
10-year: 103¾ (-¾) 13¾%
30-year: 104¾ (-½) 13¾%

Euro-dollars (Today's opening
London bid)

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

Federal Reserve Operations:

Indicators

Manufacturing inventories fell by 0.4% in February.

Comment:

The market opened firmer and held its opening levels until disappointment spread at the lack of intervention by the Fed. Business was, however, fairly light, with little retail interest. As Funds moved up during the afternoon, prices weakened, drifting down to close at the lows of the day.

14th April 1982.

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