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THE DEPUTY GOVERNOR

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FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 16th April 1982

After one or two further alarums and excursions over the Falklands, sterling finished the week in reasonable shape, as short-covering was provoked by a rumour that the Argentinos were withdrawing. The dollar continued very firm ahead of the monetary statistics. Sterling's ERI rose from 89.9 to 90.3.

The pound closed rather better at 1.7615 yesterday in New York although the dollar was otherwise little changed. This morning, however, with the dollar only a little firmer, sterling opened at 1.7568 and traded close to that level throughout the morning. Some professional selling was seen on the early exchanges. Late this morning, the pound suffered another bout of nervousness and the rate dipped to 1.7547 early this afternoon. Federal Funds opened slightly easier in New York and later declined to 15½%. The dollar softened slightly and sterling recovered. Soon after came rumour that Argentine forces were leaving the Falklands and the pound was bid up strongly to 1.7645 before closing at 1.7635. Three-month Euro-dollar and sterling deposits each shed 1/16% at 15½% and 13¾% respectively. The forward premium narrowed slightly to 1 13/16% p.a. and sterling's intrinsic premium fell to 3/16%.

The pound gained ¼% on the French franc (11.10½), ⅜% on the deutschemark (4.27½) and ½% on the Swiss franc (3.48¾). The French franc (6.2950) and deutschemark (2.4221) both gained a little on the dollar but the Swiss franc (1.9757) was a touch easier. The Swiss swapped in \$200mn. EMS was 2½% spread between the deutschemark and Belgian franc (45.74). The Italians spent \$86mn. The Belgians sold \$54mn., \$41mn.-worth of deutschemarks, \$25mn.-worth of Swiss francs and \$13mn.-worth of guilders. The Swedes recouped \$49mn. The yen firmed to 247.75.

Gold again traded narrowly around yesterday's levels. Fixings were \$363.75 and \$362.75.

Operations:	Market	+	\$25mn.
	EEC	-	39
	BIS	-	19
	IDA	+	9
	India	+	5
	Sundries	+	4
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		-	\$15mn.
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16th April 1982.

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US BOND AND MONEY MARKETS

Friday, 16th April 1982

Federal Funds

Opening: 15 $\frac{5}{8}$ %
Range: 14 $\frac{1}{2}$ % - 15 $\frac{5}{8}$ %
Close: 14 $\frac{3}{4}$ %

US Governments (NY closing bids)

2-year: 99 $\frac{5}{8}$ (-) 14 5/16%
5-year: 100 $\frac{1}{4}$ (+ $\frac{1}{4}$) 13 15/16%
10-year: 104 $\frac{1}{8}$ (+ $\frac{1}{8}$) 13 $\frac{7}{8}$ %
30-year: 105 $\frac{1}{4}$ (+ $\frac{1}{8}$) 13 $\frac{3}{4}$ %

Euro-dollars (Today's opening
London bid)

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

Federal Reserve Operations:

Indicators

M1 +\$7.1bn.

Capacity utilisation fell by 0.4% in March.

Housing starts rose by 2.5% in March (c.f. +6.5% in February).

Comment:

In light trading, the market opened a little easier with Funds higher than expected at 15 $\frac{5}{8}$ %. As Funds moved down during the morning, the market improved, helped by capacity utilisation. Some retail demand then developed and by mid-afternoon, in active trading, the market was showing gains of up to almost 1 $\frac{1}{2}$ points in the long area. Housing starts disappointed operators who had been expecting a decline and prices moved back, only to fall sharply on the release of M1, which was right at the top end of the range of expectations. By the close the market had surrendered most of its gains.

19th April 1982.

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