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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 7th May 1982

After the activity of the past few days, there was a quiet end to the week on the exchanges. The dollar continued on its downward path as unemployment in April soared to a new post-war high of 9.4%. Sterling was stable and the ERI remained at 90.0 throughout the day.

Rumours in New York last night, that the two Harriers lost in the Falklands had been shot down by the Argentines, set off some selling of sterling and the rate fell against a weaker dollar to touch 1.8150 before closing at 1.8187. With no further alarms, the pound recovered in the Far East and opened in London at 1.8250. After some early professional selling out of Europe, which took the rate down to 1.8230, had been absorbed, the rate moved up against a weakening dollar to trade around 1.82½ for most of the balance of the day; it reached 1.8285 at best during the afternoon and closed at 1.8275. Three-month Euro-dollars fell by 5/16% to 14 7/16%. Sterling's forward premium narrowed to 1 9/16% and the intrinsic premium remained at 3/16%.

The pound was easier on the Continent, losing ½% in Germany (4.18½) and France (10.98½) and 1½% in Switzerland (3.44½). The dollar was sharply weaker in Zurich (1.8860), where the Swiss franc benefitted from the narrowing of interest rate differentials against Germany following yesterday's abolition of Special Lombard, and it lost ¾% in Frankfurt (2.2885) and Paris (5.9625). The approach of the weekend gave rise to pressures within EMS and the deutschemark's divergency indicator widened to -78. By the close the Belgians were at the bottom of the band, 2 3/16% below the deutschemark with the Italians 3 1/16% adrift. The French supplied heavy support for their franc, selling \$309mn., while the Belgians sold deutschemarks worth \$39mn. and \$5mn., the Italians \$35mn. and the Irish deutschemarks worth \$24mn. and \$6mn. Elsewhere, the Norwegians bought \$75mn. The yen closed at 232.52.

Gold was a little easier. Fixings were at \$336.25 and \$334.75.

Operations:	Nigeria	+	\$20mn.
	Government	-	15
	Sundries	+	1
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		+	\$6mn.
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7th May 1982.

TRS

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US BOND AND MONEY MARKETS

Friday, 7th May 1982

Federal Funds

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

US Governments (NY closing bids)

2-year: 100 $\frac{1}{2}$  (+ $\frac{1}{8}$ ) 13 9/16%  
5-year: 101 $\frac{1}{2}$  (+ $\frac{1}{8}$ ) 13 $\frac{1}{2}$ %  
10-year: 101 $\frac{5}{8}$  (+ $\frac{1}{8}$ ) 13 7/16%  
30-year: 106 $\frac{7}{8}$  (+ $\frac{1}{8}$ ) 13 1/16%

Euro-dollars (Today's opening  
London bid)

7-day: 14 13/16%  
1-month: 14 $\frac{3}{8}$ %  
3-months: 14 $\frac{3}{8}$ %  
6-months: 14 5/16%

Federal Reserve Operations:

Bought \$225mn. in Treasury Bills  
for a customer.

Indicators

US unemployment in April 9.4% (c.f. 9.0% in March)

M1 -\$4.9bn.

Comment:

After a busy week, it was a less active day in the bond market as participants took a little profit before waiting for money supply. The rise in unemployment made for a strong opening but some retail selling caused prices to drift back to the previous day's closes by mid-morning. Expectations of a good money supply figure helped the market to rally during the afternoon but the release of the figure was again met by profit-taking and prices settled back, to close almost unchanged on the day.

10th May 1982.

TRS