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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 11th May 1982

Another quiet day for sterling which traded in a narrow range. The dollar, somewhat stronger overnight, eventually gave up its gains and closed weaker overall in most Continental centres. The pound could not keep pace and the ERI thus fell from 90.5 to 90.1.

Sterling closed lower at 1.8290 in New York yesterday, the dollar finishing at best levels, as the bond market closed at the day's lows. This morning the dollar began a little softer and tended gently easier over the morning, gaining momentum as time progressed. Sterling was sidelined, opening at 1.83 and trading between 1.8290 and 1.8353 all day. The close was 1.8320. Neither Retail Sales, nor Wholesale Prices nor the money and banking statistics had any marked impact. The dollar's late turn was occasioned, as often, by tightness in Federal funds. Three month eurodollars (14½%) gained ½%, the sterling deposit was unchanged (13 1/16%). The forward premium duly widened by ½% to 1½% p.a. and sterling retained an intrinsic premium of 3/16%.

The pound lost ¼% in Paris (10.91½) and ⅓% in Germany (4.18) but gained a further ⅓% in Zurich (3.50½) where the Swiss franc weakened sharply again to 1.9120 on the dollar and 0.83½ to the deutschemark. EMS was fully-stretched for much of the day, although the Belgian franc (43.11) closed only 2 3/16% from the deutschemark (2.2820); the lira (1268) again finished 2½% distant. The French sold \$106mn., the Belgians spent \$66mn.-worth of deutschemarks. The Dutch sold \$5mn. and deutschemarks equivalent to \$37mn. and the Irish lost \$12mn.-worth of deutschemarks. The Danes, however, took in a further \$16mn. Elsewhere the Norwegians gained \$51mn. The yen recovered to 232.90.

Gold reflected the dollar's fortunes, recapturing some of yesterday's losses. Fixings were \$330 and \$332.25.

Operations:	Market	-	\$1mn.
	EEC	-	39
	IDA	+	7
	Sundries	+	5
		-	\$28mn.

\$333.50

11th May 1982

JGH

US BOND AND MONEY MARKETS

11th May, 1982

Federal Funds

Opening: 14½%
Range: 14½-15%
Close: 14½

US Governments (NY closing bids)

2-year: 100¾ (+ ¼) 13 11/16%
5-year: 101½ (+ ⅛) 13 9/16%
10-year: 101¾ (+ ⅝) 13 7/16%
30-year: 106¾ (+ ½) 13 1/16%

Euro-dollars (Today's opening
London bid)

7-day: 14¾%
1-month: 14¾%
3-months: 14 5/16%
6-months: 14¾%

Federal Reserve Operations:

\$800mn. customer repurchase
agreements with Fed.funds at
15%. Stop rate 14.12%

Indicators

Comment:

A better day. The market opened on a weak note and moved within a narrow range during a quiet morning session. The Fed action gave the market a lift and some buying was seen during the afternoon. Helped by this and a falling Funds rate, prices moved steadily ahead, closing at the highs for the day.

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