

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 27th May 1982

The exchanges were less active today and most markets seemed rather thin. Nonetheless the dollar remained extremely strong. The approach and coincidence of the end-month and a long weekend were probably the major incentives for holding extra dollars. Sterling was remarkably quiet and steady and made large, if passive gains on the Continent. The ERI rose from 89.7 to 90.2.

The pound closed slightly easier at 1.7972 yesterday in New York although the dollar was otherwise very much stronger. This morning the dollar began easier, firmed momentarily, then slipped back into a narrow range around the opening level which persisted for much of the day. Sterling started at 1.7970, advanced with the dollar to 1.7997, then settled back comfortably to trade close to the opening level throughout the session. The low point was 1.7955, the close 1.7982, despite some late firmness in the dollar. Later, Americans took the dollar much firmer still, but the pound declined no lower than 1.7935. The three-month premium widened by 1/16% to 1 1/4% p.a. partly compensating for a 1/8% decline in the sterling deposit (13 3/8%). Comparable eurodollars were unchanged (14 7/16%). Sterling's intrinsic premium dropped to 3/16%.

The pound gained 3/8% in Germany (4.20 1/4%), 1% in each of France (10.94 1/2%) and Switzerland (3.56 1/2%). The deutschemark weakened to 2.3370 (later 2.3485). The Swiss franc was 1.9845 (later 1.9975). The French franc led the dollar up, as a large selling order hit Paris this morning. It closed at 6.0867 (2.60 1/2 to the D.M.) and was soon after quoted 6.13 (2.61 to the D.M.). The French sold \$9mn. EMS was fully-stretched. The Belgians sold deutschemarks worth \$38mn. at the margin. Elsewhere the Swedes sold \$35mn., the Norwegians bought \$35mn. The yen weakened to 241.75 (later 242.82). The Japanese spent \$100mn. in New York yesterday and \$115mn. in Tokyo this morning.

Gold was sold down in New York yesterday but traded narrowly today with no new trend. Fixings were \$324.75 and \$324.25.

Operations:	Market	+ \$ 6mn.
	Interest	+ 7
	Sundries	+ 5
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		+ \$18mn.
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JGH 27th May 1982

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US BOND AND MONEY MARKETS

Thursday, 27th May 1982

Federal Funds

Opening: 13 $\frac{3}{4}$ %
Range: 13 $\frac{1}{2}$ -13 $\frac{3}{4}$ %
Close: 13 $\frac{1}{2}$ %

US Governments (NY closing bids)

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

Euro-dollars (Today's opening
London bid)

7-day: 14 1/16%
1-month: 14 $\frac{1}{4}$ %
3-months: 14 5/16%
6-months: 14 $\frac{1}{2}$ %

Federal Reserve Operations:

\$1.0bn customer repurchase agreements
with Fed Funds at 13 $\frac{5}{8}$ %. Stop
rate 12.55%.

Indicators

Comment: Another uneventful day. The relatively high Funds rate, the approach of the long weekend and the absence of any news to galvanise the market made for a lethargic and wholly professional day's trading. Prices opened a little lower and moved within a narrow range until the Fed's intervention. This was regarded as mildly disappointing and the market sold off during the afternoon, with the long end again bearing the brunt. The market closed at its lows.

28th May 1982

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