

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 3rd June 1982

A quieter day in most major centres saw the dollar fail to re-establish better levels and eventually succumb to yesterday's easier trend. The French franc, however, came under heavy pressure as rumour spread that the Paris market would be closed tomorrow. Sterling traded quietly and comfortably; the ERI finished unchanged at 90.7.

The pound closed firmer at 1.7940 yesterday in New York where the dollar was generally easier, albeit the major activity took place in the deutschemark. This morning sterling opened at 1.7942 and traded all day between 1.7918 and 1.7980, rarely diverging far from the opening price, and closing at 1.7956. Modest two-way activity was suspected against the deutschemark and this reinforced the dollar's movements in either direction. Three-month sterling deposits (13%) lost 3/16% so that, with comparable Euro-dollars (14½%) and the forward premium (1 11/16% p.a.) unchanged, the covered differential in London's favour was all but eliminated.

The pound lost ½% in Frankfurt (4.23%), gained ½% in Zurich (3.62½) and was just a touch firmer in Paris (11.08). The deutschemark improved to 2.3605, the Swiss franc to 2.02. The Swiss bought \$10mn.-worth of yen. The French franc (6.1705) was allowed to slip to 2.61½ to the deutschemark. The French spent \$443mn. and \$43mn.-worth of deutschemarks. The florin (2.6087) edged out the deutschemark at the top of EMS, both closing almost 2½% above the Belgian franc (44.61). The Belgians spent \$21mn., \$71mn.-worth of deutschemarks, \$4mn.-worth of florins and \$1mn.-worth of Swiss francs. The lira (1311.50) finished at 2½% distance from the leaders. The Italians took in \$21mn. The yen was weak this morning in Tokyo, where the Bank of Japan sold \$130mn., but recovered strongly in London to 242.95.

Gold was a little firmer this morning, as short-covering continued, and advanced to \$322 at the fixing this morning. The afternoon was dull and the later fixing set a level of \$320.35.

Operations:	Market	+	\$1mn.
	Finland	-	5
	Sundries	-	3
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		-	\$7mn.
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US BOND AND MONEY MARKETS

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Federal Funds

Opening: 13 $\frac{1}{4}$ %
Range: 13 $\frac{1}{4}$ % - 13 $\frac{5}{8}$ %
Close: 13 $\frac{1}{2}$ %

US Governments (NY closing bids)

2-year: 99 $\frac{3}{8}$ (-) 13 15/16%
5-year: 99 $\frac{1}{8}$ (-) 14%
10-year: 99 $\frac{3}{8}$ (- $\frac{1}{8}$) 13 $\frac{7}{8}$ %
30-year: 102 $\frac{5}{8}$ (- $\frac{3}{8}$) 13 $\frac{5}{8}$ %

Euro-dollars (Today's opening
London bid)

7-day: 14 $\frac{1}{8}$ %
1-month: 14 $\frac{3}{8}$ %
3-months: 14 $\frac{1}{2}$ %
6-months: 14 $\frac{5}{8}$ %

Federal Reserve Operations:

Indicators

Comment:

A quiet day's trading in a thin market with little retail interest. Prices opened unchanged from Wednesday and moved narrowly during the morning. The absence of the Fed was mildly disappointing and some selling was seen during the afternoon at the long end of the market but by the close prices had recovered a little from their lowest levels.

4th June 1982.

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