

Gold \$337
New 330
THE DEPUTY GOVERNOR

FE 2/24
SECRET

(Space file Copy) 1.7988
31.1 22R 1.7965

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 7th June 1982

Now 1.7910

EMC 427

The dollar was very much firmer today - by as much as 1% on the deutschemark - in part, perhaps, because of the depressing fiscal and monetary outlook in the USA but chiefly due to the outbreak of hostilities in the Middle East. Sterling as often was very steady and gained ground on the Continent. The ERI rose from 90.6 to 90.9.

The pound closed at 1.7932 in New York on Friday against a dollar which was generally a little firmer. This morning, however, the dollar began around $\frac{1}{2}\%$ better on the Continent. Sterling, however, opened no lower than 1.7890 and traded all day between 1.7875 and 1.7905, closing at 1.7900. The trade figures had little impact at the time but, after the close, some buying interest from New York lifted the pound to 1.7925. The three-month forward premium widened to 2 $\frac{1}{16}\%$ p.a., reflecting a firming of $\frac{1}{8}\%$ in Euro-dollars (14 $\frac{13}{16}\%$). The sterling deposit was unchanged (12 $\frac{7}{8}\%$) and a small intrinsic premium remained.

The pound was a shade firmer on the Swiss franc (3.63 $\frac{1}{2}$) and gained $\frac{1}{8}\%$ on both the French franc (11.10 $\frac{1}{2}$) and deutschemark (4.26 $\frac{1}{2}$). Unwinding of positions in EMS undoubtedly added something to the weakness of the deutschemark (2.3815) which lost 1% to the dollar. For all that, however, the French franc (6.2062) gained only slightly on the deutschemark, from 2.60 $\frac{1}{2}$ to 2.60 $\frac{3}{8}$. EMS was never quite fully-stretched and closed only 2 $\frac{1}{2}\%$ in width between the deutschemark and Belgian franc (44.96). The lira (1317.50) closed less than 2 $\frac{1}{2}\%$ distant and most other participants, too, made up some ground on the deutschemark. There was no official intervention in EMS. Elsewhere Swiss banks raised deposit rates again by $\frac{1}{8}\%$ -1% and the Swiss franc (2.0287) improved from 0.85 $\frac{3}{4}$ to 0.85 $\frac{3}{16}$ against the deutschemark. The Swiss bought \$20mn.-worth of yen. The Japanese sold \$145mn. in Tokyo this morning. The yen closed easier in London at 245.22.

Gold was bid up to \$325 $\frac{1}{2}$ in the Far East this morning following the escalation of fighting in the Middle East. London took profit and the first fixing set a level of \$322.90. Americans this afternoon repeated the pattern, bidding the metal up to 325.50 before the price was fixed at \$325.25. The last price in London was around \$324.50 but stop-loss buying in New York later brought business at \$328.

Operations:	Market	+	\$14mn.
	Kenya	+	7
	Sundries	+	2
			<hr/>
		+	\$23mn.
			<hr/> <hr/>

7th June 1982.

JGH

US BOND AND MONEY MARKETS

Monday, 7th June 1982

Federal Funds

Opening: 13 $\frac{3}{8}$ %
Range: 13 $\frac{3}{8}$ % - 13 $\frac{5}{8}$ %
Close: 13 $\frac{1}{2}$ %

US Governments (NY closing bids)

2-year: 99 $\frac{1}{2}$ (-) 13 15/16%
5-year: 99 (- $\frac{1}{4}$) 14%
10-year: 99 $\frac{1}{2}$ (- $\frac{1}{8}$) 13 $\frac{7}{8}$ %
30-year: 102 $\frac{1}{2}$ (+ $\frac{3}{8}$) 13 $\frac{5}{8}$ %

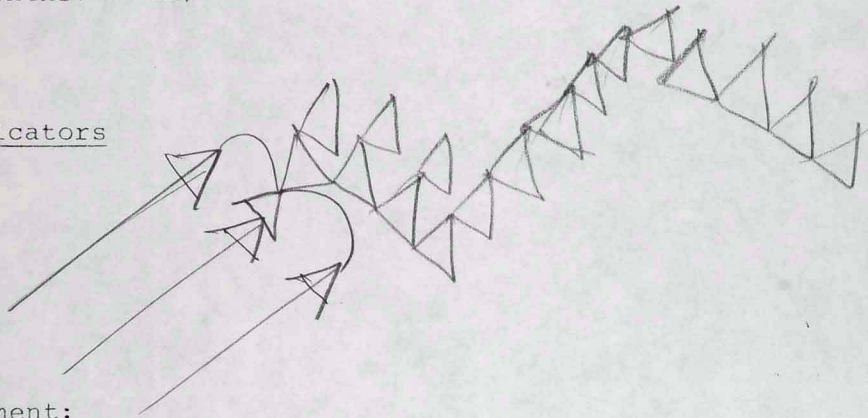
Euro-dollars (Today's opening
London bid)

7-day: 14 $\frac{1}{8}$ %
1-month: 14 $\frac{1}{2}$ %
3-months: 14 13/16%
6-months: 14 15/16%

Federal Reserve Operations:

\$1bn. customer repurchase
agreements with Fed Funds at 13 $\frac{1}{2}$ %.
Stop rate 13.25%.
Bought \$300mn. Treasury Bills for
a customer.

Indicators



Comment:

A quiet start to the week with nothing to shake the market out of its current lethargy. The market opened defensively, down $\frac{1}{4}$ of a point from Friday's close, and traded quietly throughout the morning, but with prices showing a tendency to ease. During the afternoon there was some short covering and professional buying which helped the market to recover most of its losses and post modest gains at the long end.

8th June 1982.

TRS