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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 17th June 1982

A disappointing day for sterling which had seemed to be over the hill by lunchtime, holding up well to an advancing dollar, but suffered later from a wave of selling emanating from Chicago. As a result, the ERI eased to 91.2. Elsewhere, the dollar continued to move up, though not holding its best levels. Gold fell to its lowest level since August 1979.

Last night in New York sterling recovered to 1.7505. It found some buying interest in Europe this morning and, although easing from an opening level of 1.7525 to 1.7455 in the first couple of hours, this was a better performance than other currencies were then giving in the face of a dollar which was boosted by higher interest rates. This early range held until just before the close when the IMM began to sell, forcing the pound down to 1.7425 when London ended trading. Later, a chart point of 1.74 was breached, the rate falling to 1.7362 before reverting to its final level in London. Euro-dollars rose to 15 $\frac{1}{2}$ %, interbank sterling held steady at 12 13/16%: forward margins compensated, leaving the covered differential at 1/16% in London's favour.

At the close, the pound was easier against the deutschemark (4.26 1/16, after 4.27 $\frac{1}{2}$) and French franc (11.82 9/16) but edged up to 3.67 15/16 in Switzerland, where the franc weakened to 2.1115 on news that the authorities would ease liquidity. EMS had a comfortable day, closing 2 1/16% wide between the French franc (6.7865, after 6.79) and the deutschemark (2.4450). The French bought German currency worth \$41mn. whilst the Italians bought \$78mn., the lira closing at 1375. German markets were closed for National Day. Elsewhere in Europe the Norwegians bought \$100mn. forward. In Tokyo, the Japanese sold \$60mn., having spent \$30mn. in New York yesterday: the yen eased to 254.40. The Canadian dollar recorded a new low today of 1.2897, \$150mn. having been spent in its defence last night (bringing the total this month to \$1.lbn.).

Gold moved down in the Far East early this morning to around the first fixing level of \$313.50. It then reacted in sympathy to a lower silver price and fell further, fixing this afternoon at \$309. Buyers were rare and, another chart point having been breached, later trading was taking place at \$304.75 in New York.

Operations:	Market	-	\$7mn.
	EEC	-	68
	IMF	+	27
	(o/a Bolivia)		
	BIS	+	9
	Sundries	+	2
		-	\$37mn.

17th June 1982.

DAHB
[Signature]

US BOND AND MONEY MARKETS

Thursday, 17th ^{June} ~~May~~ 1982

Federal Funds

Opening: 14 $\frac{3}{8}$ %
Range: 14 $\frac{3}{8}$ % - 14 $\frac{1}{2}$ %
Close: 14 $\frac{3}{8}$ %

US Governments (NY closing bids)

2-year: 99 $\frac{1}{8}$ (- $\frac{1}{2}$) 14 15/16%
5-year: 96 $\frac{1}{2}$ (- $\frac{3}{4}$) 14 11/16%
10-year: 96 1/16 (-13/16) 14 $\frac{1}{2}$ %
30-year: 99 1/16 (-15/16) 14 $\frac{1}{8}$ %

Euro-dollars (Today's opening
London bid)

7-day: 15%
1-month: 15 7/16%
3-months: 16 1/16%
6-months: 16 3/16%

Federal Reserve Operations:

1 and 4-day repurchase agreements
for system account with Fed Funds
at 14 $\frac{1}{2}$ %. Stop rate 13.30%.

Bought \$200mn. Treasury Bills for
a customer.

Indicators

Comment:

The market opened lower, continuing the weaker trend of the previous close which followed the results of the sloppy two-year auction, but thereafter traded in a narrow range. The Fed's first system repo in over two weeks lifted the tone for a while, but prices drifted lower again in light volume over the afternoon. The market now seems near-totally demoralised.

18th June 1982.

JGH