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SECRET

1.7365

1.4

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 21st June 1982

24650
21000
68 1/2

A further substantial strengthening of the dollar occurred this morning as Eurodollars opened well bid in the aftermath of the \$1.4bn. rise in U.S. money supply. Central banks stood impotently by. However, North American markets failed to sustain the momentum during the rest of the European day and much of the early gain was eroded, although the dollar remained above its Friday closing levels. Sterling was a quiet market and managed to notch up a moderate advance against most other European currencies; as a result, the ERI fell only to 91.0. Gold broke down through \$300.

The pound moved very little in New York on Friday, closing at 1.7372. The dollar began moving up this morning in the Far East. In London, sterling opened at 1.7320 and immediately rose 5 points but then began to ease as the dollar resumed its advance, touching 1.7155 before recording 1.7170 at noon. It had recovered to 1.7220 (after 1.7236) by the close but business at any time was only light. Three months' Eurodollars reached 16 3/8% before closing at 16 3/16%; the premium for forward sterling widened to 3 1/4% and the covered differential ended at 1/8% p.a. in London's favour.

On the Continent the pound edged a little more expensive at 4.27 1/2 in Germany and at 11.85 1/8 in France but shaded lower at 3.68 in Switzerland. The French pared another 1/8% off call money (to 15 1/8%) and took in deutschmarks worth \$31mn.; their franc reached 6.9037 but rallied to close at 6.8825 at the top of EMS, 2 3/16% above the deutschmark. At worst, just before noon, the deutschmark was 2.4905 but it, too, rallied and closed at 2.4824. The lira closed at 1397.45 the Italians buying \$60mn. The yen traded quietly, closing at 257.70 tonight. The Canadian dollar broke through 1.30 after London had ended trading for the day.

Gold fell to around \$295.50 in Hong Kong this morning, depressed by the increasing cost of carry, declining silver and other commodity prices and a lack of buying interest. Fixings were at \$297 and \$296.75 but later it rose to \$297.75 as the dollar began to weaken again.

Operations:	Market	+	\$3mn.
	Government	-	60
	Italy	-	33
	B.I.S.	+	35
	Iran	+	6
	Sundries	+	4
		-	<u>\$45mn.</u>

Overnight: + \$5mn.

21st June 1982.

DAHB

DAHB

US BOND AND MONEY MARKETS

Monday, 21st June 1982

Federal Funds

Opening: 13 $\frac{3}{4}$ %
Range: 13 $\frac{3}{4}$ % - 14 $\frac{1}{4}$ %
Close: 14 $\frac{1}{4}$ %

US Governments (NY closing bids)

2-year: 99 $\frac{1}{8}$ (+ $\frac{1}{8}$) 14 $\frac{7}{8}$ %
5-year: 96 (-) 14 $\frac{7}{8}$ %
10-year: 95 $\frac{1}{2}$ (-) 14 $\frac{5}{8}$ %
30-year: 98 $\frac{7}{8}$ (+ $\frac{1}{2}$) 14 $\frac{1}{8}$ %

Euro-dollars (Today's opening
London bid)

7-day: 14 $\frac{3}{4}$ %
1-month: 15 $\frac{3}{8}$ %
3-months: 16 $\frac{1}{8}$ %
6-months: 16 5/16%

Federal Reserve Operations:

\$1bn. customer repurchase
agreements with Fed. funds at
13 $\frac{7}{8}$ %. Stop rate 13.10%

Indicators

U.S. G NP in 1st quarter -3.7%, revised from -4.3%
U.S. G NP in 2nd quarter, first estimate, +0.6%

Comment:

The market opened nearly unchanged from Friday's closing levels and during the early part of the day continued to drift lower. However, late in the morning the market became firmer and by the end of the day prices at the short end had recovered their earlier falls and at the long end were showing gains of around $\frac{1}{2}$ %.

22nd June 1982

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