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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 22nd June 1982

After their recent confinement to lower values against the dollar, other currencies today welcomed the little sun and air delivered overnight by a further softness in Eurodollar rates and recovered some strength. The Swiss franc, in particular, made princely progress. Sterling rose more modestly and the ERI improved to 91.4.

The IMM returned as buyers of pounds last night, taking the rate to 1.7420 (4.29 $\frac{3}{4}$ in deutschemark terms). In London this morning, sterling opened at 1.7327 and encountered good demand from Germany, the rate climbing steadily to 1.7405. With this order satisfied, there was an easing back towards opening levels and then, with the dollar generally softer, a resurgence to the close of 1.7425 (after 1.7435). Eurodollars opened unchanged at three months but eased to close at 15 15/16%; the covered differential remains around $\frac{1}{8}$ % p.a.

There was a further small improvement by the pound in Germany (4.27 $\frac{3}{4}$) and France (11.87 $\frac{3}{4}$), but a fall to 3.64 $\frac{1}{4}$ in Switzerland, where the dollar declined to 2.09 after a sizable sale by a Swiss bank. EMS narrowed to 2%, the deutschemark having improved about 1% to 2.4550 and the French franc to 6.8162. Intervention was light: the French acquired \$11mn. of deutschemarks, the Danes \$12mn. and deutschemarks worth \$33mn., the Italians \$62mn. The lira made less progress than the rest of EMS, improving only to 1385.70. The yen, however, kept pace and rose to 254.50, having closed in Tokyo earlier at 256.70. The Canadian dollar, which hit 1.3010 late yesterday, was able to recover today to around 1.2970.

Gold rallied, partly on interest rates and partly on the latest Israeli attacks. It fixed in London at \$301.75 and \$304. In New York, a shortage of physical stocks brought renewed demand and the price later rose to \$308.75.

Operations:	Market	+ \$5mn.
	Sundries	- 2
		<u> </u>
		+ \$3mn.
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22nd June 1982.

DAHB

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US BOND AND MONEY MARKETS

Tuesday, 22nd June 1982

Federal Funds

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

US Governments (NY closing bids)

2-year:	98 15/16	(- 3/16)	15%
5-year:	95 $\frac{1}{2}$	(- $\frac{1}{2}$)	15%
10-year:	94 $\frac{3}{4}$	(- $\frac{3}{4}$)	14 $\frac{3}{4}$ %
30-year:	98	(- $\frac{7}{8}$)	14 $\frac{1}{4}$ %

Euro-dollars (Today's opening
London bid)

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

Federal Reserve Operations:

\$1bn. customer repurchase agreement
with Fed. funds at 14%. Stop
rate 13.10%
Sold \$200mn. Treasury Bills for a
customer.

Indicators

C.P.I. + 1% in May (following + 0.2% in April)
Orders for durable goods +1.4% in May.

Comment:

The market opened essentially unchanged in spite of the pre-opening release of a higher than expected C.P.I. Little change occurred during the morning. Later, with the Fed. selling Treasury Bills (rather than the market's hopes for a coupon pass), together with the durable goods announcement, the market eased and by the close prices were down by $\frac{1}{4}$ to $\frac{7}{8}$ %.

23rd June 1982

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