

SECRET

FE 2/24

Thursday
\$ 1.7350 - 85

2.4605

ER 91.0 - 91.1

F/86.82

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 23rd June 1982

A quiet but rather nervous day on the exchanges. Another sign last night of the recovery in the U.S. economy, in the form of a sharp rise in orders for durable goods in May, demoralised further the bond market, leading to yet higher U.S. interest rates and a renewed boost for the dollar. Sterling was rather little traded and held fairly steady against the strong dollar, losing 0.1 on the ERI to close at 91.3.

Sterling fell back with the other currencies in New York last night to close at 1.7305 against a very firm dollar. The dollar continued to strengthen in the Far East and sterling opened in London at 1.7270. In early business, as the dollar at first moved higher, sterling fell back to 1.72 but recovered quickly to trade around 1.72½ for most of the morning. Some modest demand on oil company account was seen and when the IMM also came in as buyers of pounds, the rate started to move ahead, gaining ground steadily over the afternoon, to close at the high for the day of 1.7320. Three month Eurodollars ended the day 1/16% firmer at 16%. Sterlings forward premium was 3 1/16% and the covered differential in favour of London ¼%.

Sterling was a little firmer on the continent, closing at 4.28½ in Germany, 11.88½ in France and 3.65½ in Switzerland. The dollar rose almost 1% in these three centres to finish at 2.4740, 6.8645 and 2.1087, respectively. EMS closed 2½% wide, with the French franc remaining at the top and the deutschemark at the bottom. The lira (1396.50), which touched 1400 at one stage, closed 2½% above the deutschemark. The French bought deutschemarks worth \$32mn, the Italians bought \$36mn., the Danes bought \$19mn. and deutschemarks worth \$12mn. and the Irish bought \$4mn. Elsewhere the Swedes sold a further \$60mn. and the Swiss bought Yen worth \$20mn following another ½% rise in the commercial banks' deposit rates. There was no intervention by the Bank of Japan and the yen closed at 255.62.

Gold was volatile, trading actively either side of the \$300 level. Fixings were at \$300.75 and \$304.

Operations:	Market	+ \$12mn.
	Sundries	+ 4
	Italy	- 33
	Ghana	- 5
		- \$22mn.
	Overnight	+ \$ 9mn.

23rd June 1982

TRS

US BOND AND MONEY MARKETS

Wednesday, 23rd June 1982

Federal Funds

Opening: 14%
Range: 14%-15%
Close: 14½%

US Governments (NY closing bids)

2-year: 99 3/16 (+¼) 14¾%
5-year: 95½ (+¾) 15%
10-year: 95 5/16 (+ 7/16) 14¾%
30-year: 98½ (+½) 14 3/16%

Euro-dollars (Today's opening
London bid)

7-day: 14¾%
1-month: 15 5/16%
3-months: 15¾%
6-months: 16 3/16%

Federal Reserve Operations:

Indicators

Comment:

The market opened weaker and investors, for the most part, remained on the side lines, apparently intimidated by the immediate supply prospects of new Treasury borrowings and uncertainty over Federal Reserve policy. Late in the afternoon the market moved higher, mainly as a result of professional short covering. The mood of the market remains confused and extremely cautious.

24th June 1982

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