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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSThursday, 24th June 1982

Business was rather light and the exchanges stable today. Overnight the dollar weakened quite sharply in New York, where the IMM were good buyers of the Canadian dollar and of the European currencies, including sterling, and there were ill-founded rumours that the Fed. was also intervening to depress the dollar. Today there was little movement in rates and most currencies ended very close to their opening levels. Sterling traded with a firm tone and the ERI rose 0.1 to 91.4.

Sterling was in some demand in New York yesterday evening and rose against an easier dollar to close at 1.7430. With the dollar recovering a little in the Far East, sterling opened in London at 1.7350 and traded quietly during the morning, falling no lower than 1.7346. Some good buying from Eastern Europe developed shortly after noon and when a large Swiss professional also bought sterling, the rate moved up quite sharply, reaching 1.7440 at best. As the early strength of the New York bond market quickly evaporated and the dollar temporarily moved higher, sterling fell back to 1.7380 before closing at 1.7410. Three month Eurodollars rose 3/16 over the day, to close at 16 3/16%. With sterling's forward premium widening to 3 3/16%, the covered differential was unchanged at 1/8%.

Sterling was steady in both Germany (4.28 1/8) and France (11.88 1/8) but shed 3/8% in Switzerland (3.63 1/8). The dollar closed 1/8% lower in the first two of these centres, at 2.4590 and 6.8245 respectively, and 1/8% lower in Switzerland (2.09), but all of the losses occurred in New York yesterday evening and rates moved little during the day in London. EMS narrowed to 2 1/16% but was otherwise unchanged, with the French franc at the head and the deutschemark at the base of the arrangement and the lira (1387.20) 2 1/2% above the deutschemark. The French recouped a further \$20mn. worth of deutschemarks. Elsewhere the Swedes sold \$40mn. and the Swiss bought a further \$30mn. worth of yen. The yen improved by 1/4% to close at 253.80 and the Canadian dollar (1.2810) rallied sharply from yesterday's all-time low.

Having found some support around the \$300 level, gold traded with a firmer tone. Fixings were at \$309.75 and \$310.25.

Operations:	Market	+ \$24mn.
	Iran	+ 24
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		+ \$48mn.
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24th June 1982

TRS

US BOND AND MONEY MARKETS

Thursday, 24th June 1982

Federal Funds

Opening: $14\frac{1}{2}\%$
Range: $14\frac{1}{2}\%$ - $14\frac{3}{4}\%$
Close: $14\frac{3}{4}\%$

US Governments (NY closing bids)

2-year:	99 3/16	(-)	$14\frac{7}{8}\%$
5-year:	96	(+ $\frac{1}{8}$)	$14\frac{7}{8}\%$
10-year:	95 $\frac{3}{8}$	(+1/16)	$14\frac{5}{8}\%$
30-year:	98 $\frac{3}{4}$	(+ $\frac{1}{8}$)	14 3/16%

Euro-dollars (Today's opening
London bid)

7-day: $15\frac{1}{8}\%$
1-month: $15\frac{3}{4}\%$
3-months: $16\frac{7}{16}\%$
6-months: $16\frac{11}{16}\%$

Federal Reserve Operations:

\$700mn. customer repurchase agreement
with Fed. funds at $14\frac{3}{8}\%$. Stop rate
 13.9%

Bought \$300mn. 7-year notes for
a customer

Indicators

Comment:

The market had another desultory session with limited activity and no direction having emerged by the end of the day. In the late morning the market had been disappointed by the absence of a system repurchase agreement. However, the ground lost at that stage was recovered late in the afternoon apparently on rumours that credit controls could be enacted in the U.S.

25th June 1982

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