

FE 2/2 4

DMW

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

MONDAY, 28th JUNE 1982

Short staffing in dealing rooms because of the transport strikes made for thin exchange markets today. The unexpectedly large (\$2.3 bn.) fall in MI had no immediate impact on the strength of the dollar which was bouyed up by a further increase in Euro dollar rates in advance of the end of the half year. Sterling again saw little business and the ERI closed 0.2 lower at 91.1, after 90.8 at the opening.

Sterling closed against an easier dollar at 1.7245 in New York on Friday evening. However, the dollar moved up sharply in the Far East, where Euro-dollar rates were again very well bid and the pound opened at 1.7110 in London. With the dollar at first seeming poised to continue on its upward path, sterling fell back to 1.7095 (a five-year low) in the early going but the rate soon recovered and settled to move narrowly around 1.71 1/2. Although Fed funds opened in New York at 15%, the dollar eased back from its best levels in an extremely quiet afternoon and sterling moved up steadily, helped by some modest demand from Eastern Europe, to close at the high for the day of 1.7203. Three month Euro dollars ended 1/8% higher at 16 11/16%. With sterling's forward premium narrowing slightly to 3 1/2%, interest parity prevailed.

Sterling was slightly easier in Europe, losing 3/8% in Germany (4.27 7/8) but only 1/8% in France (11.89) and Switzerland (3.65 7/8). The dollar was almost unchanged in each of these centres, closing at 2.4875, 6.9055 and 2.1270 respectively. In EMS the Guilder (2.7505) replaced the Deutschemark at the bottom of the band, 2 1/8 below the French Franc at the top and 2 13/16% from the Lira (1399.50). The French bought Deutschemarks worth \$34 mn. and the Dutch sold \$10 mn. Elsewhere, the Swedes sold \$38 mn. The Bank of Japan sold \$51 mn. in Tokyo in support of the Yen; it closed in London at 258.32.

Gold was steady. Fixings were at \$303.40 and \$303.75.

Operations:

Market	+ \$5 mn.
Interest	+ \$16 mn.
Iraq	+ \$9 mn.
Bangladesh	- \$9 mn.
S. Africa	- \$6 mn.
Sundries	+ \$3 mn.
	<hr/>
	+\$18 mn.
	<hr/>
Overnight	+\$17 mn.
	<hr/> <hr/>

28 June 1982

TRS

US BOND AND MONEY MARKETS

Monday, 28th June 1982

Federal Funds

Opening: 14 7/8%  
Range: 14 7/8% - 15%  
Close: 14 7/8%

US Governments (NY closing bids)

2-year: 99 1/8 (- 1/8) 14 15/16%  
5-year: 95 15/16 (- 1/8) 14 7/8%  
10-year: 95 1/4 (-) 14 5/8%  
30-year: 98 3/4 (+ 1/8) 14 3/16%

Euro-dollars (Today's opening  
London bid)

7-day: 15 3/4%  
1-month: 15 13/16%  
3-months: 16 1/2%  
6-months: 16 3/4%

Federal Reserve Operations:

Bought \$150 mn. Treasury notes  
for a customer

Indicators

Comment:

After opening about 1/8 - 3/8 lower, the market remained steady over the course of the morning. Late in the afternoon, prices improved to recover back to around Friday's closing levels. Trading was light throughout the day.

28 June 1982  
OP

OP