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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 2nd July 1982

The approach of the Independence Day holiday in the US made for another desultory day's trading on the exchanges. The dollar, which had weakened overnight, recovered all of its losses today, aided by an unchanged 9.5% US unemployment level in June. Sterling continued firm and the ERI rose 0.1 to 91.3.

Selling by the IMM in New York last night caused the dollar to weaken and sterling rose to close there at 1.7415. This morning the dollar looked firm from the outset and, having opened at 1.7395 and touched 1.74 in early business, the rate eased back reluctantly over the day in very light trading. As the dollar moved higher on an unimpressive performance by the US bond market in the afternoon, sterling fell to 1.7313 before closing at 1.7335. Three-month Euro-dollars closed 1/16% firmer over the day at 16%. Sterling's forward premium widened to 3½% and the covered differential remained ½% in favour of London.

Sterling was a little firmer on the Continent, closing at 4.28 in Frankfurt, 11.88 in Paris and 3.64 in Zurich. The dollar recovered all of its overnight losses and closed stronger generally at 2.4695 in Germany, 6.8515 in France and 2.0992 in Switzerland. In EMS, the guilder (2.7305) returned to the bottom of the band, 2½% below the French franc and 3 1/16% below the lira (1385.50). The Italians bought \$43mn. and the French bought deutschemarks worth \$40mn. Elsewhere, the Norwegians, who seem anxious to restrain the strength of their crown because of worries about competitiveness, bought a further \$105mn. The yen closed at 255.95.

Gold was steady, fixing at \$313 and \$312.75.

Operations:	Market	-	\$2mn.
	India	+	9
	Sundries	+	3
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		+	\$10mn.
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2nd July 1982.

TRS

US BOND AND MONEY MARKETS

Friday, 2nd July 1982

Federal Funds

Opening: 15%  
Range: 13½% - 15%  
Close: 14½%

US Governments (NY closing bids)

2-year: 99 11/16 (+1/16) 14½%  
5-year: 97 (+½) 14½%  
10-year: 96¾ (+½) 14¾%  
30-year: 100½ (+½) 13¾%

Euro-dollars (Today's opening  
London bid)

7-day: 15½%  
1-month: 15 7/16%  
3-months: 15¾%  
6-months: 16 1/16%

Federal Reserve Operations:

Weekend repurchase agreements for  
system account with Fed Funds at  
14¾%. Stop rate 12.7%.

Sold \$260mn. Treasury Bills for a  
customer.

Indicators

US unemployment in June 9.5% unchanged from May.

M1 -\$2.1bn.

Comment:

The market opened ¼-½ point below the previous day's closing levels, and remained quiet and fairly steady throughout the morning and early afternoon - the Fed's action prevented a decline but did not produce a rally. Later in the day, prices began to drift lower, as dealers lightened up their positions before the long holiday weekend, and just prior to the announcement of the money figures, prices were off ¼-½ point. Following the better than expected money figures, the market slowly traded up to close near the highs of the day.

5th July 1982.

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