

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSTuesday, 27th July 1982

In very quiet markets, the dollar's recovery continued today helped by a rise in Euro-dollar rates which followed from a sharp fall in the US bond market yesterday. Concerns about the forthcoming demands on the bond market to be made by the US Treasury were the main factor sending the market into decline yesterday and although it recovered its equilibrium somewhat this afternoon, the dollar ended only a little below its best levels of the day. Sterling was again on the sidelines but very firm against a strengthening dollar. The ERI rose 0.2 to 91.4.

As the dollar firmed in New York yesterday evening, sterling eased back to close at 1.7575. This morning, although the dollar had improved further in the Far East, sterling opened almost unchanged at 1.7561 and traded in a very narrow range throughout the day. At best during the morning, despite some further selling from a Japanese bank, the rate reached 1.7568 and it fell no lower during the afternoon than 1.7507 as the dollar peaked. The rate closed at 1.7541. Three-month Euro-dollars were $\frac{1}{4}\%$ firmer at $13\frac{3}{16}\%$ but with the forward premium widening to $1\frac{3}{8}\%$, there was no change in the $\frac{1}{4}\%$ covered differential in favour of London.

The pound recovered some ground in Europe closing $\frac{1}{2}\%$ firmer in Germany ($4.26\frac{1}{2}\%$), Switzerland ($3.59\frac{1}{2}\%$) and France ($11.87\frac{1}{2}\%$). The dollar rose about $\frac{1}{4}\%$ in each of these centres, to close at 2.4295, 2.4097 and 6.7890 respectively. EMS widened slightly to $1\frac{13}{16}\%$ between the French franc at the top and the guilder (2.6885), with the lira (1359.37) $3\frac{1}{2}\%$ from the latter. The Italians bought \$51mn., the Dutch sold \$20mn. and deutschemarks worth \$4mn. and the Germans sold \$20mn. The yen fell to 252.30.

Gold was a quiet market, hovering just above the \$350 level. Fixings were at \$351.50 and \$351.25.

Operations:	Government			
	Canc.requirement	+	\$50mn.	
	DTI	+	24	+ \$74mn.
	Sundries			+ 3
				+ \$77mn.

27th July 1982.

TRS

US BOND AND MONEY MARKETS

Tuesday, 27th July 1982

Federal Funds

Opening: 11 $\frac{1}{4}$ %
Range: 11 $\frac{1}{8}$ % - 11 $\frac{3}{8}$ %
Close: 11 $\frac{3}{8}$ %

US Governments (NY closing bids)

2-year: 99 $\frac{1}{2}$ (-) 13 $\frac{3}{8}$ %
5-year: 99 $\frac{5}{8}$ (+ $\frac{1}{8}$) 13 $\frac{3}{8}$ %
10-year: 99 $\frac{1}{2}$ (+ $\frac{1}{2}$) 13 $\frac{7}{8}$ %
30-year: 103 $\frac{1}{2}$ (+ $\frac{1}{2}$) 13 $\frac{1}{2}$ %

Euro-dollars (Today's opening
London bid)

7-day: 11 $\frac{5}{8}$ %
1-month: 12 $\frac{3}{8}$ %
3-months: 13 $\frac{3}{16}$ %
6-months: 14 $\frac{1}{4}$ %

Federal Reserve Operations:

US 3-month Treasury Bills 11 $\frac{1}{8}$ %
US bank 3-month CDs 12 $\frac{1}{8}$ %

Indicators

Comment:

With the Fed Funds rate over 11%, the market opened $\frac{1}{8}$ point down, but moved up soon after. The strength of the market continued until mid-afternoon, by which time prices were up to $\frac{3}{4}$ point higher on the day. Part of the improvement was, however, lost by the close.

28th July 1982.

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