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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 12th August 1982

After the volatility of many days recently, rates were extremely stable on the exchanges today. Despite a promising rally in the New York bond market this afternoon, the dollar ended at last night's levels in virtually all centres. Sterling was a good two-way market; the ERI rose 0.1 to 90.9.

The pound closed a quiet evening in New York yesterday at 1.6980. This morning the rate opened at 1.6975 against a slightly easier dollar and moved up to 1.6995 in early business on some buying by a Japanese bank. The rate then settled to trade very narrowly around 1.69 $\frac{1}{2}$ for the balance of the day, falling no lower than 1.6955. Some good commercial activity in both directions was evident, together with some modest official selling from Europe. The rate closed at 1.6985. Three-month Euro-dollars were 1/16% firmer at 12 $\frac{3}{4}$ % but with sterling's forward premium widening to 1 $\frac{3}{8}$ %, there was interest parity.

Sterling gained $\frac{3}{8}$ % against a weak Swiss franc (3.66) and was slightly firmer against both the deutschemark (4.27 $\frac{5}{8}$) and the French franc (11.90 $\frac{3}{8}$). The dollar was firmer in Switzerland (2.1547) but unchanged in both Germany (2.5180) and France (7.0087). EMS was also stable, closing 1 13/16% wide between the Irish punt (1.3665) at the top and the deutschemark at the bottom, 3 11/16% above the lira (1404.95). The Italians bought \$70mn., the Irish \$9mn. and the Danes deutschemarks worth \$6mn., while the Germans sold \$27mn. Elsewhere, the Swiss provided some support for their franc, which slipped to DM 0.85 $\frac{5}{8}$, selling \$30mn. There was no support from the Bank of Japan for the yen which closed at 262.97.

Gold again traded quietly at the lower levels, fixing at \$333.25 and \$334.75.

Operations:	Market	+ \$10mn.
	PSB G'teed:	
	SSEB	+ 35
	S.Glamorgan	+ 7
	Interest	+ 25
	Sundries	+ 5
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		+ \$82mn.
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12th August 1982.

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US BOND AND MONEY MARKETS

Thursday, 12th August 1982

Federal Funds

Opening: 10 $\frac{1}{8}$ %
Range: 10 $\frac{3}{8}$ % - 10 $\frac{7}{8}$ %
Close: 10 $\frac{3}{4}$ %

US Governments (NY closing bids)

2-year: 100 $\frac{1}{2}$ (+9/16) 12 $\frac{3}{4}$ %
5-year: 101 $\frac{1}{4}$ (+1) 13 $\frac{3}{8}$ %
10-year: 101 $\frac{1}{2}$ (+1 $\frac{1}{4}$) 13 $\frac{1}{2}$ %
30-year: 106 $\frac{3}{4}$ (+1 $\frac{3}{8}$) 13 $\frac{1}{8}$ %

Euro-dollars (Today's opening
London bid)

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

Federal Reserve Operations:

Overnight repurchase agreement for
system account with Fed Funds
at 10 $\frac{7}{8}$ %. Stop rate 10.26%.

US 3-month Treasury Bills 9 $\frac{3}{4}$ %

US bank 3-month CDs 11 $\frac{5}{8}$ %

Indicators

Comment:

The market opened unchanged and moved up slowly through the morning in what looked like being another relatively quiet day. However, with the Fed's intervention, the market gained momentum and it continued to improve until the close. Hopes are high that reasonably good money figures today (less than \$2bn. increase) will allow the Fed to cut the discount rate.

13th August 1982.

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