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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 25th August 1982

Having continued to decline in New York last night, the dollar reacted this morning and regained a modicum of strength - only to lose it this afternoon. The French franc appears to have been under less pressure. Sterling encountered some demand and the ERI rose to 92.2.

At best, the pound went to 1.7790 in New York yesterday before closing at 1.77. Having started in London today at 1.7670 and drifted to 1.7623 by mid-morning, it rallied on moderate demand to close at 1.7720. Eurodollars and interbank sterling closed unchanged.

Sterling rose in Germany to 4.28 3/16, in France to 12.04 1/2 and in Switzerland to 3.60 15/16. Following the reduction of bank rate to 18% the lira eased to 1368.50 and re-entered the narrower EMS band, about 2 3/16% above the deutschemark, which closed at 2.4165; the Italians bought \$51mn. The French franc moved fairly erratically, traversing 6.77 3/4 / 6.84 1/2 before closing at 6.7975 after sales of \$11mn. and deutschemarks equivalent to \$86mn. In EMS it has now moved to a position about 3/4% above the bottom; against the deutschemark it has eased to about 2.81 1/4, after 2.82. The Danes were sellers of \$4mn. whilst the Dutch bought \$10mn. worth of deutschemarks again. The Swiss franc rose to 2.0370. In Europe, therefore, the dollar has shed about 3/4% since last night. The yen performed a touch better, rising to 250.40.

Gold was less active and less volatile but just as nervous as yesterday, when it closed at \$403.50 in New York. It eased sharply in Europe this morning, fixing at \$394.50, but ran equally fast back up to \$401 at the second session. Then, in American markets, it again dropped below \$400.

Operations:	Market	+\$16mn.
	BIS	+ 18
	IDA	+ 5
	Sundries	+ 5
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		+\$44mn.
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25th August 1982.  
DAHB



US BOND AND MONEY MARKETS

Wednesday, 25th August 1982

Federal Funds

Opening: 8 $\frac{3}{4}$ %  
Range: 8 $\frac{1}{4}$ -14%  
Close: 13%

US Governments (NY closing bids)

2-year: 102 $\frac{3}{8}$  (- $\frac{3}{8}$ ) 11 $\frac{1}{4}$ %  
5-year: 105 $\frac{3}{8}$  (- $\frac{1}{4}$ ) 12 $\frac{1}{4}$ %  
10-year: 107 $\frac{3}{8}$  (- $\frac{3}{8}$ ) 12 $\frac{3}{8}$ %  
30-year: 114 $\frac{3}{8}$  (- $\frac{3}{8}$ ) 12 $\frac{1}{4}$ %

Euro-dollars (Today's opening  
London bid)

7-day: 9 5/16%  
1-month: 9 3/4%  
3-months: 10 9/16%  
6-months: 11 9/16%

Federal Reserve Operations:

\$2bn. customer repurchase  
agreement with Fed.Funds at 9%.  
Stop rate 6.53%.

US three-month Treasury Bills: 7 $\frac{5}{8}$ %  
US bank three-month CDs: 9 $\frac{3}{4}$ %

Indicators

Comment:

In light trading, prices moved in a narrow range throughout the day. The new \$2bn. two-year ~~rate~~ was auctioned at an average of 11.67%.

26th August 1982.  
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