

G+FE 1+2 FE 2/24

SECRET

THE DEPUTY GOVERNOR

[Handwritten flourish]

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 1st September 1982

After a firm start the dollar retreated this afternoon when the US bond market began to pick up and as operators looked to the Fed to provide liquidity. By the close, however, it showed only slight net movement in most centres. Sterling found some buying interest and the ERI improved to 91.6.

Following yesterday's system repurchase agreements the dollar went into a mild but unsustainable downward spin as the IMM bought other currencies; sterling topped 1.7240 before closing little changed at 1.7182. This morning was quiet: the pound opened at 1.7170 and, having dipped to 1.7149, began to move up again this afternoon - helped by modest demand. The rate closed at 1.7225, after 1.7240. Euro-dollars rose another net 3/16% to 11 3/8%; interbank sterling at three months was unchanged and interest parity prevailed on a covered basis.

Sterling improved to 4.29 1/2 in Germany, 12.06 5/8 in France and 3.66 in Switzerland. The dollar was scarcely changed on balance: it closed in these centres respectively at 2.4935, 7.0055 and 2.1250 having briefly traded at 2.50 in mid-morning in Germany. EMS moved a shade wider, to 1 3/8%, between the deutschemark and the punt (1.3805). The Italians were buyers of \$60mn. whilst the Dutch recovered a few more deutschemarks (\$16mn.). The lira (1403.87) is now almost 1% above the punt. The yen was slightly firmer at 259.17.

Gold eased in New York and the softer tone continued today with fixings at \$404.25 and \$405.25 and subsequent trading at \$400.

Operations:	Market	+	\$9mn.
	BIS	+	9
	Interest	+	5
	Sundries	+	1
			<hr/>
		+	\$24mn.
			<hr/> <hr/>

1st September 1982.

DAHB

[Handwritten signature]

US BOND AND MONEY MARKETS

Wednesday, 1st September 1982

Federal Funds

Opening: 11%
Range: 11% - 12%
Close: 11½%

US Governments (NY closing bids)

2-year: 99¾ (-) 12%
5-year: 99¾ (-) 12¾%
10-year: 105¾ (-½) 12¾%
30-year: 112½ (+½) 12¾%

Euro-dollars (Today's opening
London bid)

7-day: 11½%
1-month: 11 7/16%
3-months: 11 13/16%
6-months: 12¾%

Federal Reserve Operations:

\$700mn. customer repurchase
agreement with Fed Funds at 11½%.
Stop rate 10.98%.

US 3-month Treasury Bills 8¾%

US bank 3-month CDs 10¾%

Indicators

Comment:

Prices traded in a narrow range throughout the day. After earlier being up to ¾ better, the market was disappointed by the Fed's intervention. Afternoon trading was sporadic and quiet.

1st September 1982.

OP 00