

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 7th September 1982

Uncertainty about the course of the negotiations over Mexican debts, and reports that Mexico was refusing to make any further repayments, contributed to another surge in the price of gold today. This took the dollar a little lower on the exchanges but it was again reluctant to weaken very quickly. Sterling saw good two-way business; the ERI rose 0.1 to 91.6.

Sterling opened this morning at the low for the day of 1.7265 and quickly moved above 1.73 as the dollar eased generally. By mid-morning the rate had reached 1.7343 in quite active trading, as the dollar continued to fall back under pressure of some heavy selling against deutschemarks and Swiss francs from Eastern Europe. When the dollar turned elsewhere in Europe and sterling encountered some modest selling from the Middle East, the rate settled to trade around 1.73½ for most of the balance of the day, ending at 1.7310. Three-month Euro-dollars fell ¼% to 11 7/16%, taking sterling's forward premium to ¾%.

Sterling was a little easier in Germany (4.27½) but a little firmer in Switzerland (3.64½) and gained ¼% against a rather weak French franc (12.08½). The dollar lost ½% in Frankfurt (2.4705), ¾% in Zurich (2.1035) but was little changed in Paris (6.9815). EMS widened to 1½% between the punt (1.3935) and the deutschemark but the lira (1393.50) closed only 2½% above the latter. The Danes struggled to hold their crown in the middle of the band, selling \$184mn., while the French spent \$88mn. (of which \$68mn. was in deutschemarks) and the Dutch bought \$12mn.-worth of deutschemarks. The yen improved to 257.17.

Gold enjoyed another active and volatile day. The price ran up \$30 on Mexico in the Far East this morning to open in London at \$505 (a 16-month high). The \$500 level provoked some dishoarding, including some East European selling, and the price fell erratically thereafter. Fixings were at \$488.50 and \$481. Later the price was quoted briefly down to \$470 but bounced back to \$484.

Operations:	PSB (Grampian)	+ \$9mn.
	Interest	+ 5
	Sundries	+ 14
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		+ \$28mn.
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7th September 1982.

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US BOND AND MONEY MARKETS

Tuesday, 7th September 1982

Federal Funds

Opening: 9 $\frac{3}{4}$ %  
Range: 9% - 9 $\frac{7}{8}$ %  
Close: 9%

US Governments (NY closing bids)

2-year: 99 $\frac{1}{2}$  (+ $\frac{1}{8}$ ) 11 $\frac{1}{4}$ %  
5-year: 100 $\frac{5}{8}$  (-) 12 $\frac{1}{2}$ %  
10-year: 106 $\frac{3}{4}$  (+ $\frac{1}{8}$ ) 12 $\frac{1}{2}$ %  
30-year: 114 $\frac{1}{2}$  (+ $\frac{3}{8}$ ) 12 $\frac{1}{8}$ %

Euro-dollars (Today's opening  
London bid)

7-day: 10 $\frac{1}{4}$ %  
1-month: 10 $\frac{3}{4}$ %  
3-months: 11 5/16%  
6-months: 12 5/16%

Federal Reserve Operations:

Sold \$700mn. Treasury Bills for  
a customer.

3-month US Treasury Bills 8 $\frac{1}{4}$ %

3-month US bank CDs 10 $\frac{7}{8}$ %

Indicators

Differential 2 $\frac{1}{8}$ %

Comment:

The market was quiet and traded in a narrow range all day.

8th September 1982.

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