

FE 2/24

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSThursday, 9th September 1982

Rumours last night in New York that Bolivia had defaulted on some debt repayments caused the dollar to weaken there and gold surged to new highs in the Far East early this morning but, following denials of any default, the dollar remained firm in Europe today. Most attention switched to EMS where the Danish crown, which has been under pressure since the Danish government's resignation, moved to the bottom of the band, despite substantial sales of dollars and an increase in domestic money market rates. Sterling was again on the sidelines and the ERI closed unchanged at 91.7.

The IMM were sellers of dollars in New York last night and sterling rose to close there at 1.7255. This morning the rate opened at 1.7220 and traded in a narrow range around this level on little discernible business. At best, the rate reached 1.7257 and it fell no lower than 1.7205, despite good demand for dollars against deutschemarks from Middle Eastern and East European operators. The rate closed at 1.7226. Euro-dollars were 1/16% firmer at 11 9/16% for three-months deposits and sterling's forward premium widened to 1%.

The pound was about 1/2% easier in Europe, closing at 4.28 3/4 in Germany, 12.11 in France and 3.65 in Switzerland. The dollar ended about 3/8% lower in each of these centres at 2.4865, 7.05 and 2.1190 respectively. At times throughout the day the Danish crown (8.8950) was outside the 2 1/2% band of EMS and it closed 2 1/2% from the punt (1.3775) and 3 11/16% from the lira (1403.75), despite sales of \$390mn. (of which \$8mn. was in punts). The French sold \$70mn. and deutschemarks worth \$40mn. and the Irish and the Dutch each bought Danish crowns worth \$3mn. Elsewhere, the Norwegians bought \$55mn. and the Swedes sold \$40mn. The yen closed at 259.07.

The Bolivian rumours and reports of a German bank in liquidity difficulties saw gold bid up to \$513.50 in the Far East this morning but it had relapsed to \$494 by the London opening. In a less hectic and much more professional market than on any day recently, the price gave ground throughout the day, fixing at \$477 and \$466.

Operations:	Market	+	\$22mn.
	Iran	+	26
	Interest	+	9
	Sundries	-	6
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		+	\$51mn.
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9th September 1982.

TRS

US BOND AND MONEY MARKETS

Thursday, 9th September 1982

Federal Funds

Opening: 9 $\frac{1}{4}$ %  
Range: 9 $\frac{3}{4}$ % - 10 $\frac{1}{4}$ %  
Close: 10 $\frac{1}{8}$ %

US Governments (NY closing bids)

2-year: 99 $\frac{1}{2}$  (- $\frac{1}{4}$ ) 11 $\frac{1}{8}$ %  
5-year: 100 $\frac{1}{2}$  (- $\frac{1}{4}$ ) 12 $\frac{1}{2}$ %  
10-year: 106 $\frac{3}{8}$  (- $\frac{5}{8}$ ) 12 $\frac{1}{2}$ %  
30-year: 114 (- $\frac{7}{8}$ ) 12 $\frac{1}{4}$ %

Euro-dollars (Today's opening  
London bid)

7-day: 10 9/16%  
1-month: 11%  
3-months: 11 7/16%  
6-months: 12 11/16%

3-month Treasury Bills 8 $\frac{1}{2}$ %

3-month US bank CDs 10 $\frac{3}{4}$ %

Differential 2 $\frac{1}{4}$ %

Indicators

Federal Reserve Operations:

Comment:

Prices remained little changed from the previous day's levels for most of the day. In mid-afternoon, the market drifted lower as the Funds rate moved above 10% and prices fell further on news that Congress had over-ridden President Reagan's veto of a \$14bn. supplemental appropriation bill for 1982. Trading remained light throughout the day.

10th September 1982.

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