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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 14th September 1982

A quiet day on the exchanges. Unexpected action by the Fed to inject liquidity into the US domestic market, together with a sharp (-0.9%) drop in US retail sales in August reversed some of the recent rise in Euro-dollar rates and brought the dollar back from yesterday's record levels. Sterling saw only modest business; the ERI closed 0.1 down at 91.6.

As the dollar eased in New York yesterday evening following the release of the retail sales figures, sterling moved up to close there at 1.7115. This morning the rate opened at 1.7097 and traded narrowly around this level for most of the morning, reaching 1.7115 at best. As yesterday there was some modest official selling from Europe which, in a thin market, slightly depressed the rate. When the US bond market improved during the afternoon and the dollar eased further, sterling failed to respond, restrained by some modest selling by an oil company, and the rate dipped to 1.7069 shortly before closing at 1.7093. Three-month Euro-dollars shed 5/16% to close at 12 1/16% and sterling's forward premium narrowed to 1 3/8%.

The pound was easier on the Continent, losing 3/8% in Germany (4.28 3/4) and Switzerland (3.65 3/4) and 1/8% in France (12.13). The dollar ended the day 5/8% weaker in each of these centres at 2.5075, 2.1395 and 7.0962 respectively. EMS was unchanged in width, 1 1/2% between the Danish crown (8.8755) at the bottom and the punt (1.3605) at the top, with the lira (1411.62) 3 1/16% above the crown. The only intervention was by the French who sold \$75mn. (of which \$40mn. was in deutschemarks), having sold \$42mn. in New York last night. The yen closed 1/2% firmer at 262.97.

Gold rallied on the weaker dollar in New York last night and consolidated its gains in London today. Fixings were at \$452 and \$454.25.

Operations:	IDA	+	\$19mn.
	Iran	+	5
	Ghana	-	13
	Sundries	+	10
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		+	\$21mn.
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14th September 1982

TRS



US BOND AND MONEY MARKETS

Tuesday, 14th September 1982

Federal Funds

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

US Governments (NY closing bids)

2-year: 99 $\frac{1}{4}$  (+ $\frac{1}{4}$ ) 11 $\frac{3}{4}$ %  
5-year: 100 $\frac{1}{4}$  (+ $\frac{1}{8}$ ) 12 $\frac{3}{8}$ %  
10-year: 106 $\frac{7}{8}$  (+ $\frac{1}{8}$ ) 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: 11%  
1-month: 11 7/16%  
3-months: 12%  
6-months: 13%

Federal Reserve Operations:

3-month Treasury Bills 7 15/16%  
3-month US bank CDs 10 15/16%  
Differential 3%

Indicators

Comment:

After initially gaining around  $\frac{1}{4}$  point, the market subsequently traded in a narrow range. Late in the day, the Treasury announced the details of next week's auctions - 5bn. 4-year, 4bn. 7-year and 2 $\frac{1}{2}$ bn. 20-year.

15th September 1982.

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