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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 21st September 1982

A quiet and steady day on the exchanges. The dollar opened firm and strengthened generally, helped by slightly higher Euro-dollar rates. The yen was particularly weak, finishing in Tokyo close to its recent 5-year low, despite heavy support. Sterling saw some demand on official account and the ERI closed unchanged at 91.7.

The failure of the Fed to add liquidity to the US domestic market caused the dollar to firm in New York last night and sterling closed there at 1.7107. This morning the rate opened at 1.7102 and traded in an exceptionally narrow range of 1.7095 to 1.7121 all day. Some buying from Scandinavia was seen around mid-day but there was little other sizeable business. The rate closed at 1.7103. Three-month Euro-dollars ended the day 1/16% firmer at 12 1/16% and sterling's forward premium was 1 1/8%.

The pound gained 1/4% against a soft Swiss franc (3.66 1/4) and was a little firmer in both Germany (4.28 1/4) and France (12.10). The dollar gained 5/8% in Zurich (2.1415) and 1/2% in Frankfurt (2.5040) and Paris (7.0737). EMS widened to 1 3/8% between the punt (1.3652) at the top and the Belgian franc (48.37) at the bottom, 2 15/16% from the lira (1410). The Italians sold \$55mn., the Germans \$16mn. and the Belgians \$2mn. Elsewhere, the Norwegians sold \$70mn. and the Swedes \$20mn. The yen, having closed at 265 in Tokyo this morning after sales of \$203mn. by the Bank of Japan, traded around this level in London, closing at 264.85.

Gold was steady at \$426.50 at both fixings.

Operations:	Finland	+	\$18mn.
	IDA	+	5
	Sundries	+	4
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		+	\$27mn.
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21st September 1982.

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US BOND AND MONEY MARKETS

Tuesday, 21st September 1982

Federal Funds

Opening: 10 $\frac{1}{8}$ %
Range: 9 $\frac{5}{8}$ % - 10 $\frac{1}{8}$ %
Close: 9 $\frac{3}{4}$ %

US Governments (NY closing bids)

2-year: 100 $\frac{7}{8}$ (+ $\frac{5}{8}$) 11 $\frac{5}{8}$ %
5-year: 101 $\frac{7}{8}$ (+1 $\frac{1}{4}$) 12 $\frac{1}{8}$ %
10-year: 108 $\frac{7}{8}$ (+2 $\frac{1}{8}$) 12 $\frac{1}{8}$ %
30-year: 118 $\frac{1}{8}$ (+2 $\frac{5}{8}$) 11 $\frac{3}{4}$ %

Euro-dollars (Today's opening
London bid)

7-day: 10 $\frac{3}{4}$ %
1-month: 11 3/16%
3-months: 11 $\frac{3}{4}$ %
6-months: 12 $\frac{5}{8}$ %

Federal Reserve Operations:

\$1.2bn. customer repurchase
agreement with Fed Funds at 10%.
Stop rate 9.08%.

Bought \$300mn. Treasury Bills for
a customer.

3-month Treasury Bills 7 $\frac{1}{2}$ %

3-month US bank CDs 10 $\frac{1}{4}$ %

Differential 3 $\frac{1}{4}$ %

Indicators

GNP "flash" estimate +1.5% (annual rate) third quarter after
revised +2.1% second quarter.

Comment:

The market opened unchanged and improved slowly through
the morning so that, by the time of the auction at 1.30 p.m., prices
were better by $\frac{1}{4}$ -1. After the bids were in, at yields rather lower
than expectations, the market took off on the lower Fed Funds rate,
rumours of a short squeeze in Chicago and general panic buying.

The new \$5bn. 4-year was auctioned at an average of 12.30%
(but closed at 12.04%).

22nd September 1982.

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