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CIA

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 22nd September 1982

The exchanges marked the day of action with the most active trading of the week. A strong rally in the US bond market yesterday, and sharply lower Euro-dollar rates today, made for an easier dollar but, measured against the drop in interest rates, the movement was very modest. The yen which had been particularly weak yesterday, was in good demand in London today and recovered a little lost ground. Sterling saw some good two-way business; the ERI was steady at 91.7.

The dollar softened in New York last night as the bond market rally gathered pace and sterling closed there at 1.7130. With Euro-dollar rates falling quite swiftly, the dollar's easier tone was continued in the Far East and sterling opened in London at the low for the day of 1.7146. As yesterday, the rate remained in a narrow trading range but, in contrast to earlier in the week, some sizeable business was seen. During the morning two moderate selling orders, both on oil company account, were absorbed with minimal effect on the rate, which remained around 1.7160. When the US bond market again opened on a strong note in the afternoon, the rate rose to touch 1.7174 before ending at 1.7160. Euro-dollars eased throughout the day, three-months deposits closing at $11\frac{1}{2}\%$, to show a loss of $9/16\%$. Sterling's forward premium fell to $\frac{1}{8}\%$.

The pound was marginally easier in Europe, closing at 4.28 in Germany, 12.09 $\frac{1}{2}$ in France and 3.66 in Switzerland. The dollar lost $\frac{1}{8}\%$ in each of these centres, closing at 2.4945, 7.0475 and 2.1327 but almost all the losses occurred before the London opening and there was little movement over the day. EMS again widened slightly, the Belgian franc (48.22) at the bottom closing $1\frac{1}{2}\%$ below the punt (1.3705) and $2\frac{1}{2}\%$ from the lira (1406.65). The Belgians sold \$10mn. and deutschemarks worth \$11mn. and the Danes bought \$13mn. The yen improved to 262.62.

The strong bond market triggered a rally in gold and a wave of short-covering in New York last night. Good demand in the Far East this morning kept the price moving ahead and the gains were consolidated in London, where the fixings were at \$441.50 and \$443.75.

Operations:	Market	+	\$5mn.
	IDA	+	5
	Sundries	+	7
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		+	\$17mn.
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22nd September 1982.

TRS

US BOND AND MONEY MARKETS

Tuesday, 22nd September 1982

Federal Funds

Opening: 9½%
Range: 9½% - 11¼%
Close: 11%

US Governments (NY closing bids)

2-year: 100¾ (-¼) 11¼%
5-year: 101¾ (-¼) 12½%
10-year: 108½ (-¾) 12¼%
30-year: 117½ (-¾) 11¾%

Euro-dollars (Today's opening
London bid)

7-day: 10 9/16%
1-month: 11%
3-months: 11 9/16%
6-months: 12 5/16%

Federal Reserve Operations:

Bought \$325mn. Treasury Bills for
a customer.

3-month Treasury Bills 7½%
3-month US bank CDs 10¼%
Differential 3½%

Indicators

Durable goods -4% (c.f. +3.2% July)

Comment:

The market opened little changed, but soon moved up as buyers who missed the previous day's rally rushed in. By mid-day, the market was up by as much as 1 point. The completion of the 7-year auction coincided with funds moving back above 10% and, although a Wednesday, this turned the market down.

The new \$4bn. 7-year was auctioned at an average of 11.94%.

23rd September 1982.

OP
or