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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 1st October 1982

News of the election of Mr. Kohl as Chancellor in Germany helped to strengthen the deutschemark in an otherwise thin and unexciting day's trading on the exchanges. Sterling firmed gently in a quiet market and the ERI closed 0.1 higher at 91.6.

Having closed at 1.6965 last night in New York, sterling opened in London at 1.6940 today. The rate remained in a range of 1.6925-1.6981 throughout the day, showing a tendency to firm as the dollar eased slightly helped by the news from Germany and a strong US bond market. No significant business in sterling was seen and the rate closed at 1.6975. Three-month Euro-dollars closed 1/16% lower at 11 7/16% and sterling's forward premium remained at 1 1/2%.

The pound fell slightly against a firm deutschemark (4.28) but it gained a little ground against the French franc (12.10 1/2) and 1/4% against the Swiss franc (3.68 1/2). The dollar lost ground in Germany (2.5210) but was little changed in either France (7.13) or Switzerland (2.1710). There was no change in EMS, where the Belgian franc at the bottom closed 1 11/16% from the guilder (2.7597) at the top and 3 7/16% from the lira (1420.65). The Italians sold \$44mn., the Belgians \$18mn. (of which \$1mn. was in guilders) and the Germans \$4mn. The Swedish crown was again under pressure and the Riksbank sold \$186mn. The yen closed at 268.55 with no intervention from the Bank of Japan.

Gold remained a quiet market but the price recovered as the bond market improved in the afternoon. Fixings were at \$397.75 and \$402.

Operations:	Market	+	\$4mn.
	Interest	+	6
	Sundries	+	4
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		+	\$14mn.
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1st October 1982.

TRS

US BOND AND MONEY MARKETS

Friday, 1st October 1982

Federal Funds

Opening: 10 $\frac{1}{4}$ %  
Range: 10 $\frac{1}{4}$ % - 12%  
Close: 12%

US Governments (NY closing bids)

2-year: 101 $\frac{1}{4}$  (- $\frac{1}{4}$ ) 11 $\frac{3}{8}$ %  
5-year: 103 $\frac{1}{4}$  (- $\frac{1}{8}$ ) 11 $\frac{3}{4}$ %  
10-year: 110 (-) 12%  
30-year: 118 $\frac{1}{2}$  (+ $\frac{1}{8}$ ) 11 $\frac{3}{4}$ %

Euro-dollars (Today's opening  
London bid)

7-day: 11 $\frac{5}{8}$ %  
1-month: 11 $\frac{1}{2}$ %  
3-months: 11 13/16%  
6-months: 12 5/16%

Federal Reserve Operations:

Weekend repurchase agreement for  
system account with Fed Funds at  
10 $\frac{1}{2}$ %.

Bought \$200mn. Treasury Bills for  
a customer.

3-month Treasury Bills 7 $\frac{1}{4}$ %

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

Differential 3%

Indicators

M1 +\$400mn.

Comment:

Prior to the money announcement, the market experienced a strong rally with gains of up to 1 point. Against expectations of a decline of \$1.5bn. in money, the announced increase was an unpleasant surprise and prices declined to close around the previous night's levels.

4th October 1982.

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