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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 18th October 1982

The better-than-feared US money figures announced on Friday proved helpful to the US bond market and also moved Euro-dollar rates lower, but had a smaller impact on the dollar. EMS made a quieter start to the week. Sterling remained on the sidelines, the ERI closing 0.1 higher at 92.8.

The dollar weakened following the announcement that M1 had risen by only \$6.9bn., against the market's worst fears of an increase over \$10bn. and sterling moved up to close in New York on Friday at 1.7075 and to open today in London at 1.7110. The dollar continued weak in the early part of the morning, with sterling reaching 1.7130 at best. As the dollar recovered, sterling gave up ground moving down in light trading to 1.7078 by mid-afternoon, before closing at 1.7090. Three-month Euro-dollars were  $\frac{1}{2}\%$  lower at 10% and sterling's forward premium narrowed to 13/16%.

The pound gained  $\frac{1}{8}\%$  against the deutschemark (4.29 $\frac{1}{4}$ ), but was unchanged against the French franc (12.13 $\frac{5}{8}$ ) and Swiss franc (3.67). The dollar closed  $\frac{1}{4}\%$  lower in Frankfurt (2.5120) and  $\frac{3}{8}\%$  lower in Paris (7.1017) and Zurich (2.1478). EMS had a quieter day. The Danish crown moved to around the middle of the band, following the passage of the government's economic package, as the system narrowed to 2%. The Belgian franc remained the weakest currency, and the guilder the strongest. For the first time since late August, the lira came into the narrow band, just below the guilder; the Italians sold \$79mn. The French again supported the franc selling \$178mn. (of which \$4mn. was in deutschemarks). The Germans sold \$7mn. and the Danes bought \$6mn. The yen gained  $\frac{1}{8}\%$  against the dollar to close at 268.22.

After moving lower in New York on Friday night, gold traded in a narrow range throughout the day. Fixings were at \$426.50 and \$428.25.

Operations:	BIS	+	\$18mn.
	Iran	+	5
	Sundries	+	7
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		+	\$30mn.
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18th October 1982.

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US BOND AND MONEY MARKETS

Monday, 18th October 1982

Federal Funds

Opening: 9½%  
Range: 9¾% - 9½%  
Close: 9½%

US Governments (NY closing bids)

2-year: 104½ (+¼) 9¾%  
5-year: 108½ (+½) 10½%  
10-year: 115½ (+½) 11¾%  
30-year: 127¾ (+1) 10¾%

Euro-dollars (Today's opening  
London bid)

7-day: 9¾%  
1-month: 9¾%  
3-months: 9 15/16%  
6-months: 10½%

Federal Reserve Operations:

\$2.5bn. customer repurchase  
agreement with Fed Funds at 9½%.  
Stop rate 8.875%.

3-month Treasury Bills 7¾%

3-month US bank CDs 9¼%

Differential 1¾%

Indicators

Capacity utilisation -0.3 to 69.1.

Comment:

The market opened unchanged but, after a hesitant first hour, moved up steadily throughout the day in quiet trading.

19th October 1982.

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