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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 19th October 1982

The dollar continued very firm on the exchanges today despite a good US bond market performance and statements from Henry Kaufman in Tokyo that he saw US interest rates staying at their lower levels. Sterling was a good two-way market; the ERI closed unchanged at 92.8.

The dollar firmed in New York last night and sterling fell back to close there at 1.7060. This morning the rate opened at 1.7063 and touched 1.7037 in the first hour of trading as the dollar reached its best levels (helped by the conversion of a large official borrowing). However, as Kaufman's views came over the tapes, the dollar eased back a little and sterling settled to trade around 1.70½ for most of the remainder of the morning, helped by some commercial demand from Germany. When the US bond market opened on a firm note in the afternoon and the dollar reluctantly gave up a little more of its gains, sterling moved up to 1.7089 before closing at 1.7073. Three-month Euro-dollars lost ¼% to close at 9½% and sterling's forward premium narrowed to ¼%.

The pound was rather mixed in Europe, closing unchanged in Germany (4.29½), but gaining ¼% in Switzerland (3.67¼) and losing ¼% in France (12.12). The dollar was firmer in each of the first two centres at 2.5155 and 2.1542 but a touch easier in Paris (7.0990). There was no pressure in EMS where both the French franc and the Danish crown (8.8522) finished around the middle of the band. As usual, the Belgian franc (48.81) was at the bottom with the guilder (2.7437) 2% above it at the top. The Italians (who were again within the narrow band) sold \$116mn. and the Belgians \$39mn. The yen closed at 268.50.

Despite press reports about possible sales of gold by the French, the price firmed in London today fixing at \$439 and \$441.50. Active trading was reported too from the London Gold Futures Market on the first day of the new dollar contract.

Operations:	Market	+	\$7mn.
	Iran	+	11
	BIS	+	9
	Sundries	+	3
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		+	\$30mn.
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19th October 1982.

DAMP
for TRS

US BOND AND MONEY MARKETS

Tuesday, 19th October 1982

Federal Funds

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

US Governments (NY closing bids)

2-year: $103\frac{7}{8}$ ($-\frac{1}{4}$) $9\frac{7}{8}\%$
5-year: 108 ($-\frac{1}{4}$) $10\frac{1}{2}\%$
10-year: $115\frac{1}{2}$ ($-\frac{1}{4}$) $11\frac{1}{8}\%$
30-year: $127\frac{1}{8}$ ($-\frac{1}{4}$) $10\frac{7}{8}\%$

Euro-dollars (Today's opening
London bid)

7-day: $9\frac{9}{16}\%$
1-month: $9\frac{5}{8}\%$
3-months: $9\frac{3}{4}\%$
6-months: 10%

Federal Reserve Operations:

\$2.5bn. customer repurchase
agreement with Fed Funds at $9\frac{1}{2}\%$.
Stop rate 8.78% .

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

3-month US bank CDs $9\frac{1}{8}\%$

Differential $1\frac{3}{8}\%$

Indicators

Personal income $+0.3\%$ (after $+0.2\%$ in August)

Housing starts $+14.4\%$ (after -16.2% in August)

Comment:

The market opened firmly, mainly in response to Kaufman's speech earlier in the day in Tokyo, and prices were soon $\frac{1}{4}$ - $1\frac{1}{2}$ higher. However, after this initial rally, the market slowly lost ground and closed showing small falls throughout the maturity range.

20th October 1982.

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