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THE DEPUTY GOVERNOR

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FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 20th October 1982

At the end of their trading session yesterday the IMM in Chicago suddenly bought the dollar against all currencies - a move possibly triggered by one particular chart point being breached. This development ensured a firm opening today. Trading was quite heavy at first but rates moved narrowly until there was a renewed upsurge this afternoon as the IMM again sold currencies. Sterling was very active but held steady today, having lost some ground overnight, probably as part of the Woolworth sale was converted. The ERI fell to 92.5.

The closing level for sterling in New York last night was 1.6960 (4.28½ in deutschemark terms). It opened here today at 1.7005, briefly looked at 1.7015, but spent most of the morning just below 1.70. Large professional trades passed through in both directions. This afternoon's business was less hectic: in the general strengthening of the dollar the pound eased to 1.6945 before closing at 1.6957. Euro-dollars shed another ¼% to 9¼% and sterling's forward premium fell to 11/16%.

In Europe the pound recovered from its lower levels of last night, easing only to 4.28½ in Germany; it slipped to 12.08½ in Paris but rose to 3.68 7/16 against the Swiss franc. The dollar rose everywhere. The deutschemark eased to 2.5283, although the Bundesbank had rather aggressively sold \$59mn. at their fixing; the French franc to 7.1285 (the Bank of France bought \$20mn.). EMS remained 2% in width, the lira (1422.60) just edging out the florin (2.7567) at the top, leaving the Belgian franc (49.03) the lone rearguard. The Swiss franc lost most ground, weakening to 2.1727, whilst the yen was easier at 270.70.

Gold fell back as the dollar strengthened, the price closing in New York yesterday at \$422.50. Europe ran it up to \$429.75 at the first fixing today but the impact of US markets, opening as the dollar further advanced, sapped this movement. The second fixing was at \$422.

Operations:	Market	+	\$7mn.
	Interest	+	14
	Sundries	+	5
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		+	\$26mn.
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20th October 1982.

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US BOND AND MONEY MARKETS

Wednesday, 20th October 1982

Federal Funds

Opening:  $9\frac{3}{8}\%$   
Range:  $9\frac{3}{8}\%$  -  $10\frac{1}{2}\%$   
Close:  $10\frac{1}{4}\%$

US Governments (NY closing bids)

2-year:  $103\frac{3}{4}$  ( $-\frac{1}{8}$ )  $10\%$   
5-year:  $107\frac{3}{4}$  ( $-\frac{1}{4}$ )  $10\frac{5}{8}\%$   
10-year:  $114\frac{7}{8}$  ( $-\frac{3}{8}$ )  $11\frac{1}{2}\%$   
30-year:  $127\frac{1}{8}$  (-)  $10\frac{3}{8}\%$

Euro-dollars (Today's opening  
London bid)

7-day:  $9\frac{5}{8}\%$   
1-month:  $9\frac{11}{16}\%$   
3-months:  $9\frac{7}{8}\%$   
6-months:  $10\frac{1}{8}\%$

Federal Reserve Operations:

Overnight repurchase agreement for  
system account with Fed Funds at  
 $9\frac{5}{8}\%$ . Stop rate  $8.71\%$ .

Bought \$250mn. Treasury Bills for  
a customer.

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

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

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

Indicators

US GNP  $+0.8\%$ , third quarter (earlier "flash" estimate  $+1.5\%$ )

Comment:

The market opened briefly higher but backed off to around  $\frac{1}{8}$ - $\frac{3}{8}$  below the previous night's close. The Fed's system repos brought a modest improvement, but the results of the 2-year auction slightly disappointed the market.

The new \$6.75bn. 2-year was auctioned at an average of  $9.79\%$ .

21st October 1982.

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