

212 4
SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 21st October 1982

The IMM again provided a late boost for the dollar yesterday. Although by the close of London's trading tonight most currencies had recovered near to last night's levels, the French and Japanese were singled out for pressure. The reductions in German and Dutch discount rates, to 6%, had been expected. Sterling was side-lined, the ERI rising to 92.7.

In New York yesterday the pound fell to 1.69 before closing at 1.6950. It opened today at 1.6945, ranged only between 1.6935 and 1.6965, and closed at 1.6953. Euro-dollars moved up to 9 13/16%, after opening 1/8% higher; sterling's forward premium eased to 5/8%.

The pound was virtually unchanged in Germany and Switzerland but rose to 12.12 1/2 in France, where the franc suffered from a large short position opened up against deutschemarks and eased to 7.1522. No defensive intervention took place, however. EMS was static at 2% in width between the Belgian franc (49.06) and the lira (1443.97): the Italians sold \$90mn. The deutschemark closed at 2.5294, having touched 2.5340 in New York yesterday. The Swiss franc ended the day at 2.1727. The yen, which received \$69mn. of support in Tokyo this morning, closed there at 271.85 and weakened in London to 273.02 as unsubstantiated rumours of a Japanese bank in trouble began to circulate.

Gold fixed in London at \$432.25 and \$432.50 but this apparent steadiness screened some erratic movements (ranging between \$436 and \$428) which were allied to similar volatility in silver.

Operations:	Interest	+	\$11mn.
	Iran	+	8
	IDA	+	7
	Sundries	+	2
			<hr/>
		+	\$28mn.
			<hr/> <hr/>

21st October 1982.

DAHB
DAHB

US BOND AND MONEY MARKETS

Thursday, 21st October 1982

Federal Funds

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

US Governments (NY closing bids)

2-year: $99\frac{7}{8}$ (-) $9\frac{13}{16}\%$
5-year: 108 (+ $\frac{1}{4}$) $10\frac{1}{2}\%$
10-year: $115\frac{1}{4}$ (+ $\frac{3}{8}$) $11\frac{1}{8}\%$
30-year: $127\frac{1}{8}$ (-) $10\frac{7}{8}\%$

Euro-dollars (Today's opening
London bid)

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

Federal Reserve Operations:

3-month Treasury Bills $7\frac{3}{4}\%$
3-month US bank CDs 9%
Differential $1\frac{1}{4}\%$

Indicators

Comment:

The market opened $\frac{1}{8}$ - $\frac{1}{2}$ higher, mainly in response to the cut in the German discount and Lombard rates, but slowly gave up ground. The absence of the Fed at noon, and Fed Funds briefly at $9\frac{1}{2}\%$ moved prices to $\frac{1}{8}$ - $\frac{1}{4}$ below the previous night's close, before the market rallied to close little changed on the day.

22nd October 1982.

OP *OP*