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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 5th November 1982

There were no explosions this Friday on the exchanges. The dollar, which had rocketed to new highs in New York last night, today plotted a firm but fairly steady path, little affected by the expected record level of US unemployment (10.4%). Sterling saw little business but drifted lower in quiet trading. The ERI shed 0.3 to 92.0.

Sterling hit a new low of 1.6625 in New York last night as the dollar surpassed the August 1981 peak, reaching DM 2.5815; by the close there the pound had recovered to 1.6675. This morning sterling opened at the high for the day of 1.6710 but then gave ground gradually to close at the low of 1.6635. Trading was very light and apart from some modest selling during the afternoon little activity was seen. Three-month Euro-dollars closed unchanged at 9 11/16% and sterling's forward premium was 11/16%.

The pound lost some ground in Europe, closing  $\frac{1}{2}\%$  lower, at 4.28 $\frac{1}{2}$  in Germany, 3.69 $\frac{1}{4}$  in Switzerland and 12.08 $\frac{1}{2}$  in France. The dollar was firmer in each of these centres at 2.5756, 2.2225 and 7.2650 (after a new low of 7.2715). In EMS the Dutch cut their discount rate by  $\frac{1}{2}\%$  to 5 $\frac{1}{2}\%$ , but the band widened between the Belgian franc (49.91 - a new low) and the guilder (2.8005). The only intervention was by the Italians, who sold \$108mn. and the Irish, who sold \$28mn. In contrast to the other major currencies, the yen was firmer, rising  $\frac{1}{2}\%$  to close at 275.57.

Gold gave ground against the stronger dollar, fixing at \$423 and \$417.50.

Operations: Sundries + \$11mn.

5th November 1982.

TRS

US BOND AND MONEY MARKETS

Friday, 5th November 1982

Federal Funds

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

US Governments (NY closing bids)

2-year: 100 (- $\frac{1}{8}$ ) 9 $\frac{3}{8}$ %  
5-year: 108 $\frac{1}{2}$  (- $\frac{3}{8}$ ) 10 $\frac{3}{8}$ %  
10-year: 100 (- $\frac{1}{2}$ ) 10 $\frac{1}{2}$ %  
30-year: 129 (- $\frac{1}{4}$ ) 10 $\frac{3}{8}$ %

Euro-dollars (Today's opening  
London bid)

7-day: 9 $\frac{3}{8}$ %  
1-month: 9 9/16%  
3-months: 9 11/16%  
6-months: 9 $\frac{3}{4}$ %

Federal Reserve Operations:

Weekend reverse repurchase  
agreement with Fed Funds at 9 $\frac{1}{4}$ %.  
Stop rate 9.36%.

3-month Treasury Bills 7 $\frac{3}{8}$ %  
3-month US bank CDs 9%  
Differential 1 $\frac{1}{4}$ %

Indicators

M1 +\$2.7bn.

Unemployment 10.4% (c.f. 10.1% in September)

Comment:

The market weakened slightly during the morning and fell further following the Fed's matched sales. The afternoon saw prices move higher, helped by a statement by Kaufman that the Fed would cut the discount rate on Friday or today. Prices fell again following the money announcement.

8th November 1982.

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