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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 8th November 1982

The combination of a surprise \$2.7bn. rise in M1 and the absence of the expected cut in the Fed's discount rate (despite Henry Kaufman's statement that the Fed could not afford to disappoint the market) gave the dollar a further boost on the exchanges today. Apart from the yen, which held steady, all major currencies recorded new recent lows but received little support from their central banks. After a quiet morning sterling encountered some selling during the afternoon and fell to another six-year low against the dollar. The ERI closed down 0.2 at 91.8.

The pound fell to 1.6590 in New York on Friday as the dollar strengthened following the release of M1. This morning it opened at 1.6588 but quickly fell back to 1.6553. Thereafter, for the balance of the morning, in very light trading the rate settled around 1.6570 as the dollar eased back from its firmest levels. Activity picked up with the entry of New York and as the afternoon wore on some selling developed both out of the US and from South Africa. While the dollar remained firm but below its best elsewhere in Europe, sterling continued to give a little ground during the latter part of the day and as the Chancellor rose to make his Commons statement the rate dipped to 1.6538 before closing at 1.6544. Later, as the dollar strengthened generally elsewhere, the pound was quoted down to 1.6515. Three-month Euro-dollars closed 1/16% firmer at 9 $\frac{3}{4}$ % and sterling's forward premium was 13/16%.

The pound was broadly unchanged in Europe, closing at 4.28 $\frac{1}{4}$ in Germany, 3.69 $\frac{1}{8}$ in Switzerland and 12.09 $\frac{1}{4}$ in France. The dollar gained $\frac{1}{8}$ % in each of these centres, setting new recent highs. It ended slightly below its best levels at 2.5917 in Frankfurt, 2.2342 in Zurich and 7.3092 in Paris but strengthened further in late business. There was little attempt to restrain the dollar by intervention: the Bundesbank sold \$50mn. at their fixing, while the Italians sold \$87mn. and the Belgians \$11mn. In EMS, which remained 2 3/16% wide between the Belgian franc (50.21) and the guilder (2.8188), the Danes (\$42mn.) and French (\$37mn.) bought deutschemarks. The yen was again relatively firm, closing almost unchanged at 276.

Gold weakened further, fixing at \$411 and \$407.50.

Operations:	Market	+	\$7mn.
	Iran	+	5
	Sundries	+	4
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		+	\$16mn.
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8th November 1982.

TRS

US BOND AND MONEY MARKETS

Monday, 8th November 1982

Federal Funds

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

US Governments (NY closing bids)

2-year: 100 (-) $9\frac{3}{4}\%$
5-year: $108\frac{1}{8}$ ($-\frac{1}{8}$) $10\frac{7}{16}\%$
10-year: 100 (-) $10\frac{1}{2}\%$
30-year: $128\frac{1}{4}$ ($-\frac{1}{4}$) $10\frac{3}{4}\%$

Euro-dollars (Today's opening
London bid)

7-day: $9\frac{5}{8}\%$
1-month: $9\frac{9}{16}\%$
3-months: $9\frac{3}{4}\%$
6-months: $9\frac{13}{16}\%$

3-month Treasury Bills $8\frac{1}{8}\%$

3-month US bank CDs 9%

Differential $\frac{7}{8}\%$

Indicators

Federal Reserve Operations:

Comment:

After opening lower, the market traded in a narrow range throughout the day.

9th November 1982.

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