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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

~~TUESDAY~~
Wednesday, 9th November 1982

Market perceptions that, over the past few weeks, the weakness of the yen had been carried too far moved the dollar back from its recent record levels against a number of other major currencies as well. Sterling strengthened slightly against the dollar but the ERI, reflecting the sharp improvement in the yen, finished 0.1 lower at 91.7.

As the IMM came in to buy dollars in New York last night, sterling fell briefly to a new six-year low of 1.6480 before closing at 1.6550. This morning, led by the strength of the yen, the dollar weakened in the Far East and the pound opened in London at 1.6567. In moderate two-way business, with some East European demand for sterling counterbalanced by some further selling on oil company account in London, the rate fell no lower than 1.6557 shortly before noon as the dollar threatened to strengthen. The threat was not, however, fulfilled and when during a quiet afternoon the dollar again showed an easier tendency, sterling moved up to close at the high for the day of 1.6577. Three-month Euro-dollars were unchanged at 9 $\frac{1}{2}$ % and sterling's forward premium was $\frac{3}{4}$ %.

The pound was unchanged in Germany (4.28 $\frac{1}{2}$), gained $\frac{1}{8}$ % in France (12.11 $\frac{1}{8}$) but lost $\frac{3}{8}$ % in Switzerland (3.68 $\frac{1}{8}$). The dollar lost $\frac{1}{4}$ % in Frankfurt (2.5857), was almost unchanged against a weak French franc (7.3055) but lost $\frac{3}{8}$ % in Zurich (2.2205). In EMS the Belgian franc (50.10) closed 2 $\frac{1}{2}$ % from the guilder (2.8135) with the French selling \$70mn. and the Belgians selling \$5mn. Elsewhere, the Swedes sold \$65mn. The yen was a very active market with strong demand from American banks in London partially being met by heavy selling from Eastern Europe; the yen gained 1 $\frac{3}{8}$ % to close at 272.15.

Gold was a dull market. Fixings were at \$410 and \$409.25.

Operations:	PSB		
	(Borders R.C.)	+	\$6mn.
	Interest	+	5
	Ghana	-	5
	Sundries	-	1
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		+	\$5mn.
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9th November 1982.

TRS

US BOND AND MONEY MARKETS

Tuesday, 9th November 1982

Federal Funds

Opening: 9¼%
Range: 9¾% - 9¼%
Close: 9¼%

US Governments (NY closing bids)

2-year: 100 (-) 9¼%
5-year: 108¼ (+¾) 10 5/16%
10-year: 100½ (+¼) 10½%
30-year: 128½ (+¼) 10¾%

Euro-dollars (Today's opening
London bid)

7-day: 9¾%
1-month: 9 9/16%
3-months: 9 11/16%
6-months: 9 13/16%

Federal Reserve Operations:

3-month Treasury Bills 8¼%
3-month US bank CDs 9%
Differential ¾%

Indicators

Comment:

The market traded throughout the day in a narrow range around the previous night's closing level. The new \$3bn. 30-year was auctioned at an average of 10.46%.

10th November 1982.

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