

FE 2/2 4

SECRET

1.5960

1.5970

EEB BT

86.8

1.5850

THE DEPUTY GOVERNOR

Scot

4.03+

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 23rd November 1982

Calm and some stability returned to the exchange markets today where trading was on a much reduced scale from yesterday. After the easier tone of the past few days, the dollar strengthened following a weak performance by the US bond market and the release of a disappointingly large (0.5%) increase in the consumer price index. Nervousness over sterling diminished as the day wore on. The rate held steady against the firmer dollar and some lost ground was recovered against the Continental currencies. The ERI rose 0.4 to 87.1.

Although the dollar firmed in New York last night as the bond market weakened, sterling finished there unchanged from the London close at 1.5940. There were none of yesterday's alarms in the Far East this morning and the rate opened in London at 1.5901 only to meet some professional selling from Europe and fall back quickly to 1.5873. The pressure was, however, short-lived and although the market remained nervous, the pound was soon back to 1.59. Thereafter for much of the remainder of the morning there was some scattered demand on oil company account and from South Africa which helped the rate to rise steadily to 1.5950 at best against an otherwise unchanged dollar. As the buying diminished towards noon the market became quiet and the rate drifted down to 1.5895 before settling to trade around 1.59½ for the balance of the day. Although the CPI reinforced the dollar's firmer tone, sterling held steady, assisted by some modest US buying interest, to end at 1.5935. Later the pound strengthened further to reach 1.6025. Three-month Euro-dollars were ½% firmer at 9 11/16% and sterling's forward premium was ½%.

The pound was firmer in Europe, gaining ½% in Germany (4.06½) and France (11.50½) and ¾% in Switzerland (3.50). The dollar rose almost ½% in these centres to end at 2.5522, 2.1962 and 7.2195 respectively. EMS widened to 2 3/16% between the Belgian franc (49.80) and the guilder (2.7945) with the Belgians buying \$65mn. but selling guilders worth \$5mn. The French sold \$58mn. and the Irish \$44mn. (of which \$29mn. was in sterling). The yen lost more ground than the other major currencies, breaking through an IMM chart point. It fell 1% to 257.75.

Gold remained an unexciting market. Fixings were at \$404.75 and \$406.

Operations:	Market	+	\$11mn.
	Interest	+	9
	Government	-	8
	Sundries	+	2
			<hr/>
		+	\$14mn.
			<hr/> <hr/>
	Overnight	+	\$8mn.
			<hr/> <hr/>

*- 9 2/16 yen
- 5 1/2 1/16 DM*

23rd November 1982.

TRS

Euro-\$

9 2/16

US BOND AND MONEY MARKETS

Tuesday, 23rd November 1982

Federal Funds

Opening: $8\frac{3}{8}\%$
Range: $8\frac{3}{8}\%$ - $8\frac{5}{8}\%$
Close: $8\frac{3}{8}\%$

US Governments (NY closing bids)

2-year: 100 $\frac{3}{16}$ ($-\frac{1}{8}$) $9\frac{3}{4}\%$
5-year: 107 $\frac{1}{2}$ ($-\frac{3}{8}$) $10\frac{1}{2}\%$
10-year: 99 $\frac{1}{2}$ ($-\frac{1}{8}$) $10\frac{9}{16}\%$
30-year: 98 $\frac{1}{2}$ ($-\frac{1}{2}$) $10\frac{1}{2}\%$

Euro-dollars (Today's opening London bid)

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

Federal Reserve Operations:

\$1bn. customer repurchase agreement with Fed Funds at $8\frac{1}{2}\%$. Stop rate 8.27%.

3-month Treasury Bills $8\frac{1}{16}\%$

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

Differential $9/16\%$

Indicators

CPI +0.5% (after +0.2% in September)

Durable goods orders -4.9% (after -0.1% in September)

Comment:

With the CPI increase higher than expected, prices opened $\frac{1}{8}$ - $\frac{1}{4}$ lower. The market traded in a narrow range throughout the late afternoon, when prices weakened further. Prices recovered marginally following the announcement of the results of the five-year auction.

The new \$5bn. five-year was auctioned at an average of 10.21%.

24th November 1982.

OP o p