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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 25th November 1982

A difficult 24 hours for sterling, which hit new recent lows as oil company and corporate selling was closely followed by sales derived from disinvestment out of gilt-edged stocks. The ERI fell a full point to 85.6. The dollar ended little changed from last night, except in yen terms, but the Belgian and French francs met pressure.

A sharp fall to 1.5840 in New York last night, before closing at 1.5872, left sterling looking vulnerable but the Far East did not pursue it. The opening rate in London was 1.5920 and for a while it looked as though pressure had indeed abated, 1.5953 being reached. This hope was short-lived, however, and corporate names began to sell, including about £50mn. from one oil company. By noon, sterling had fallen to 1.5860 and it deteriorated in another swift decline in mid-afternoon when German and Swiss banks were seen to offer sizeable amounts, in part as funds were withdrawn from gilt-edged securities. The rate fell to 1.5805 before some buying interest was drawn in; it closed at 1.5845. US markets were closed for Thanksgiving Day. Three-months Euro-dollars were unchanged at 9½% but sterling interbank rates firmed to 9½% at three months; the pound's forward premium fell to 5/16% p.a.

At worst sterling fell to around 3.98 against the deutschemark; it closed at 3.99¼ - a fall of ¼%; it was proportionately weaker in France (11.29¾) and Switzerland (3.42¾). Although EMS finished 2½% wide, the Belgian franc was left even further behind, all other members grouping within about ½% below the florin. The Belgians sold \$44mn. (of which \$8mn. in deutschemarks and \$23mn. in florins) and the Dutch, selling \$10mn. for their own account, also bought Belgian francs worth a further \$13mn. The French sold \$57mn. and deutschemarks worth \$23mn., their franc moving firmer to 7.1275. The Italians bought \$46mn., the Danes \$22mn. whilst the Irish lost \$7mn. The deutschemark firmed to 2.5196, the Swiss franc to 2.1607. The Tokyo market had a record turnover this morning. During their day the yen appreciated to 247.20 before closing, on importer selling, at 251; in London it rallied to 249.40.

Gold traded quietly, fixing at \$410.25 and \$410.50.

Operations:	Market	-	\$61mn.
	Hungary	-	6
	PSB	+	7
	(Humber-side)		
	Sundries	+	4
		-	\$56mn.

25th November 1982.

DAHB

*Amis*

US BOND AND MONEY MARKETS

Thursday, 25th November 1982

Federal Funds

Opening:

Range:

Close:

US Governments (NY closing bids)

2-year:

5-year:

10-year:

30-year:

Euro-dollars (Today's opening  
London bid)

7-day: 8 11/16%

1-month: 9%

3-months: 9 3/8%

6-months: 10%

Federal Reserve Operations:

3-month Treasury Bills

3-month US bank CDs

Differential

Indicators

Comment:

Market closed for Thanksgiving.

25th November 1982.

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