

Burratin

THE DEPUTY GOVERNOR

SECRET

1.6055

1.6160

86.6

1.6111

4.02

86.8

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FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 29th November 1982

The exchanges were quieter today with less violent fluctuations than at the end of last week. The dollar weakened sharply in late business in New York on Friday following the release of the poor U.S. trade figures for October and the easier trend continued in Europe today. Sterling saw none of the heavy selling of last week but the market remained nervous and the rate tended to drift at times in thin trading. The boost from the increase to 10% in Natwest's and Lloyds' base rates soon evaporated and thereafter the rate remained in a relatively narrow range underpinned by some occasional support. The ERI, down 0.5 at 85.9 at the start, recovered most of its losses to close 0.1 lower than Friday at 86.3.

Although the dollar fell sharply in New York on Friday night against the other major continental currencies, sterling closed there virtually unchanged from London at 1.5960 (DM 3.98½). With the dollar weakening further in the Far East, the rate opened at 1.6015 this morning but soon came under pressure from Europe, falling to 1.5975 in early business. However, sentiment then turned a little as a major oil company, who had been a seller last week, came in to cover the sales, and the rates began to recover as the dollar weakened further elsewhere. The pound climbed quickly to 1.60½ and when news of the increase in Natwest's base rate to 10% came over the tapes, it jumped to 1.6105, helped by some good buying from Switzerland and Germany. There was, however, no commercial follow-through to this professional demand from Europe and, with the dollar then firming in other centres, sterling turned easier, drifting down to 1.6036 at noon in light activity. New York came in as modest buyers of sterling and the rate recovered again in mid-afternoon to reach 1.6108 at best despite a firmer tendency for the dollar elsewhere. Once again, the higher levels were not sustained and the rate relapsed to 1.6062 by the close. Three month Euro dollars closed unchanged from Friday at 9¼% and sterling's forward discount was ¾%.

The pound was easier in Europe, losing ¾% in France (11.30½), ½% in Germany (4.00½) and ¾% in Switzerland (3.43½). The dollar lost 1½% in each of these centres to close at 7.0382, 2.4910 and 2.1362 respectively. By the close EMS was fully stretched between the guilder (2.7412) and the Belgian franc (48.90). The Danes moved close to the top of the band and were able to reduce their discount rate by 1% to 10%. They also bought \$52mn. while the Italians sold \$121mn., the French \$22mn. and the Irish \$7mn. Elsewhere, the Swedes sold \$51mn. The Bank of Japan provided \$51mn. to help the yen in Tokyo this morning where it closed at 249.55; it eased to 249.77 in London.

Gold rallied in the Far East on the weaker dollar, helped by some short covering and Middle East buying. It held its gains in London today, fixing at \$428.50 and \$434.

Operations:	Market	-	\$ 47mn.
	Interest	+	10
	B.I.S.	+	8
	Sundries	-	3
			<hr/>
			- \$ 32mn.
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29th November 1982

TRS



US BOND AND MONEY MARKETS

Monday, 29th November 1982

Federal Funds

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

US Governments (NY closing bids)

2-year:  $99\frac{7}{8}$  ( $-\frac{1}{8}$ )  $10\%$   
5-year:  $98\frac{7}{8}$  ( $-\frac{1}{2}$ )  $10\frac{3}{8}\%$   
10-year:  $98\frac{1}{2}$  ( $-1\frac{1}{2}$ )  $10\frac{3}{4}\%$   
30-year:  $96\frac{7}{8}$  ( $-2\frac{1}{4}$ )  $10\frac{3}{4}\%$

Euro-dollars (Today's opening  
London bid)

7-day:  $9\%$   
1-month:  $9\frac{5}{16}\%$   
3-months:  $9\frac{3}{4}\%$   
6-months:  $10\frac{1}{16}\%$

Federal Reserve Operations:

\$1.5bn. customer repurchase  
agreement with Fed. funds at  $8\frac{1}{2}\%$ .  
Stop rate  $8.46\%$ .

3-month Treasury Bills  $8\frac{1}{4}\%$   
3-month US bank CDs  $8\frac{7}{8}\%$   
Differential  $\frac{5}{8}\%$

Indicators

M1 + \$2.8bn.

Comment:

The market opened  $\frac{1}{8}$ - $\frac{3}{4}$  below Friday's close with Fed. funds at  $8\frac{3}{4}\%$ . The Fed's. noon action disappointed and precipitated a steady sell off by dealers. The money figures confirmed the market's pessimism and prices closed at their lows.

30th November 1982

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