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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 1st December 1982

The dollar fell sharply in New York last night as the IMM led a concerted move into the European currencies and the yen. Today there were no new factors in the markets and the dollar settled around its new lower levels. Sentiment towards sterling improved a little further and the rate remained in a fairly narrow range in, at times, quite active trading. The ERI closed 0.1 higher at 86.8.

As the dollar weakened in New York last night sterling moved up with the other European currencies to close there at 1.6345. This morning the rate opened at 1.6320 and began to move up as the dollar at first eased further. However, some heavy selling by a large German bank, perhaps on behalf of a Middle East client, then depressed the rate which fell back to 1.6307 in the first hour of trading. As yesterday, there was some good commercial demand from oil companies and, although the dollar was then turning firmer in Europe, sterling recovered steadily, reaching 1.6350 at best in late morning when there was also some demand from Switzerland. After their sales of last night, the US seemed to be buyers of the dollar today and with Fed Funds also very firm at 9%, the dollar strengthened for most of the afternoon with sterling again very much on the sidelines. In thin trading the rate drifted down to 1.6275 before closing at 1.6302. Three-month Euro-dollars closed  $\frac{1}{8}\%$  lower at  $9\frac{1}{4}\%$  and sterling's forward discount narrowed to  $\frac{1}{8}\%$ .

The pound was more or less unchanged in Germany (4.00%) and France (11.33%) but lost  $\frac{3}{8}\%$  in Switzerland (3.43). The dollar lost 1% in New York last night and closed slightly weaker still in Europe today, ending at 2.4575 in Frankfurt, 6.9510 in Paris and 2.1037 in Zurich. In EMS, the guilder (2.7080) reverted to top place 2 1/16% from the Belgian franc (48.21). The Irish sold \$39mn. (of which \$29mn. was in sterling), the French sold \$21mn., while the Danes bought \$9mn. Elsewhere, the Norwegians bought \$33mn. and the Swedes \$18mn. The yen made up for its lack of improvement yesterday by rising  $1\frac{1}{2}\%$  today to close at 248.22.

Gold edged higher as the dollar weakened, fixing at \$440 and \$440.25.

Operations:	Market	-	\$27mn.
	BIS	+	8
	India	+	8
	Interest	+	7
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		-	\$4mn.
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1st December 1982.

TRS

US BOND AND MONEY MARKETS

Wednesday, 1st December 1982

Federal Funds

Opening: 8 $\frac{5}{8}$ %  
Range: 8 $\frac{3}{8}$ % - 9 $\frac{1}{4}$ %  
Close: 9%

US Governments (NY closing bids)

2-year: 99 $\frac{1}{4}$  (-) 10%  
5-year: 99 (- $\frac{1}{8}$ ) 10 $\frac{3}{8}$ %  
10-year: 98 $\frac{5}{8}$  (-) 10 $\frac{1}{4}$ %  
30-year: 97 $\frac{1}{4}$  (-) 10 11/16%

Euro-dollars (Today's opening  
London bid)

7-day: 9 $\frac{1}{8}$ %  
1-month: 9 7/16%  
3-months: 9 $\frac{3}{4}$ %  
6-months: 10 1/16%

Federal Reserve Operations:

\$700mn. customer repurchase  
agreement with Fed Funds at 9%.  
Stop rate 9.27%.

Bought \$300mn. Treasury Bills for  
customer.

3-month Treasury Bills 8 5/16%

3-month US bank CDs 8 $\frac{7}{8}$ %

Differential 9/16%

Indicators

Comment:

The market traded through the morning within a  $\frac{1}{4}$  point of the previous close. The Fed's action disappointed, moving prices down by as much as  $\frac{1}{2}$  at the long end, but the market recovered during the afternoon to close unchanged for the day.

2nd December 1982.

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