

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 15th December 1982

The first signs of Christmas were evident in the markets, as activity quietened and the volume of business declined. The effects of Monday's discount rate cut were partially eclipsed by a substantial fall in the US bond market yesterday and the dollar recovered some of its losses in thin trading. Sterling was a quiet and steady market and, apart from some further official demand around noon, little business was seen. The ERI closed 0.1 lower at 85.8.

The pound closed a quiet evening in New York yesterday at 1.6170. This morning sterling opened at 1.6167 and, having touched 1.6180 in early business, drifted slowly lower as the dollar strengthened generally. Some official buying interest from Europe was seen around mid-day but little other significant business was noted. The rate dipped to a low of 1.6110 in the early afternoon, as the dollar reached its best levels of the day, but it recovered to close at 1.6132. Three-month Euro-dollars were  $\frac{1}{8}\%$  firmer at  $9 \frac{9}{16}\%$  and sterling's forward discount remained at 15/16%.

The pound was a little easier in Europe, closing at 3.95 in Germany, 3.37 in Switzerland and 11.20% in France. The dollar was firmer in each of these centres at 2.4490, 2.0877 and 6.9465 respectively. EMS widened to  $2 \frac{3}{16}\%$  between the Belgian franc (48.08) and the guilder (2.6977), the Belgians selling guilders worth \$10mn. The French again supported their franc, selling \$145mn. in Europe today (after \$20mn. in New York last night), while the Irish sold \$6mn. Elsewhere, the Norwegians sold \$40mn. The yen closed at 244.82.

Gold fell sharply in New York last night, in sympathy with the bond market, touching \$432 there shortly before the close. Today it began a cautious improvement in Europe, fixing at \$435.25 and \$437.50.

Operations:	Market	-	\$12mn.
	BIS	+	8
	IBRD	+	6
	Sundries	+	4
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		+	\$6mn.
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15th December 1982.

TRS

US BOND AND MONEY MARKETS

Wednesday, 15th October 1982

Federal Funds

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

US Governments (NY closing bids)

2-year: 100% (-) 9 $\frac{1}{2}$ %  
5-year: 99 $\frac{1}{4}$  (-) 10 3/16%  
10-year: 99 $\frac{7}{8}$  (-) 10 $\frac{1}{2}$ %  
30-year: 98 $\frac{1}{4}$  (- $\frac{1}{4}$ ) 10 $\frac{5}{8}$ %

Euro-dollars (Today's opening  
London bid)

7-day: 9 $\frac{3}{8}$ %  
1-month: 9 $\frac{3}{8}$ %  
3-months: 9 $\frac{1}{2}$ %  
6-months: 9 $\frac{3}{8}$ %

Federal Reserve Operations:

\$1bn. customer repurchase agreement  
with Fed Funds at 9%. Stop rate  
8.85%.

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

Indicators

Industrial Production -0.4% in November (after -0.8% in  
October).

Comment:

In another quiet session the market traded in a narrow  
range throughout the day.

The new \$7bn. two-year was auctioned at an average of  
9.46%.

16th December 1982.

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