

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 22nd December 1982

The exchanges were much quieter and rates less volatile than on most recent days. All currencies moved only fairly narrowly in thin trading. Sterling again saw some sizeable commercial selling orders but the tone was a little better than yesterday. The ERI closed unchanged at 84.6.

After the heavy selling seen in London late yesterday afternoon, sterling recovered later in New York, as the dollar fell generally, to close there at 1.6125. This morning the rate opened at 1.61 and traded between 1.6087 and 1.6140 all day against a dollar which was moving little elsewhere. A number of commercial orders to sell sterling were seen and, with few other buyers in the market, some market support was at times necessary. The rate closed at 1.6115. Three month Eurodollars were  $\frac{1}{4}\%$  easier at 9 5/16% and sterling's forward discount was  $1\frac{3}{8}\%$ .

Sterling was marginally firmer on the continent, closing at 3.87 $\frac{1}{2}$  in Germany, 10.97 in France and 3.25 in Switzerland. The dollar ended the day in these centres at 2.4032, 6.8075 and 2.0165 respectively. In EMS the lira (1386) moved to top position,  $1\frac{1}{2}\%$  above the punt (1.3815). The Irish sold \$39mn., the Italians \$86mn. and the Danes \$5mn. The yen closed  $\frac{1}{4}\%$  firmer at 2.4047.

Gold rallied in sympathy with the bond market in New York last night trading for a while above \$450. It could not hold those levels in Europe today, fixing at \$448.15 and \$447.25.

Operations:	Market	- \$52mn.
	Interest	+ 6
	Sundries	+ 4
		<u>          </u>
		- \$42mn.
		<u>          </u>
	Overnight	- \$16mn.
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22nd December 1982

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TRS

US BOND AND MONEY MARKETS

Wednesday, 22nd December 1982

Federal Funds

Opening: 8 1/4%  
Range: 8 1/4%-8 1/2%  
Close: 8 1/2%

US Governments (NY closing bids)

2-year: 99 3/4 (-) 9 1/2%  
5-year: 99 5/8 (- 1/8) 10 1/4%  
10-year: 99 7/8 (- 1/8) 10 1/2%  
30-year: 98 3/8 (- 1/4) 10 1/2%

Euro-dollars (Today's opening  
London bid)

7-day: 9 13/16%  
1-month: 9 5/16%  
3-months: 9 3/8%  
6-months: 9 9/16%

Federal Reserve Operations:

Bought \$270mn. Treasury Bills for  
customers

3-month Treasury Bills 8%  
3-month US bank CDs 8 1/2%  
Differential 1/2%

Indicators

Comment:

The market moved higher during the morning in a continued follow through to the previous day's successful 7-year auction and by noon gains were as much as 3/4. In light trading prices then began to drift lower to close little changed on the day.

The new \$3bn. 20-year was auctioned at a yield of 10.75%.

23rd December 1982

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