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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 23rd December 1982

Just as London closed yesterday the market was hit by another large order to sell sterling. After a steady start today, renewed pressure yet again appeared, being dramatically aggravated by a number of very sizeable sales by oil companies and the IMM. The November trade result had no beneficial effect, attention being distracted by this sudden activity, which may have been sparked off by chartist advice when the level of 1.60 was breached. Other currencies were featureless. A new low of 83.7 was reached by the ERI at the close.

By the end of New York's trading last night the pound had managed to edge back to 1.6075. It opened today at 1.61 in conditions calm and yet nervous. There was little activity until the first oil company order (£30mn.) was seen just after midday. Other corporates had lined up as the rate declined, in spite of official help. The very sudden rush of sales, coincident with the trade figures, pushed the rate as swiftly to 1.5890 before it rallied, closing at 1.5960 with no further intervention. 3-months Eurodollars were firmer at 9 7/16%. There was no great change in sterling's forward discount, at 1½% p.a.

The pound closed at 3.21½ in Switzerland, at 10.87½ in Paris and - having touched 3.81½ at worst - at 3.83½ in Germany. The dollar, in each centre, was little changed at 2.0155, 6.8150 and 2.4010 after moving only narrowly all day. The lira remained the strongest member of EMS, closing unchanged at 1386 after purchases of \$51mn. Belgium recovered weakest position, but only 1 15/16% lower so that there was no call for intervention. The Irish sold \$39mn., the French \$62mn., including \$32mn. in deutschemarks. The Danes bought \$20mn. Showing new strength, the yen broke through 240 to close at 238.30.

Gold was very steady, fixing at \$445.50 and \$445.75.

Operations:	Market	-	\$71mn.
	Ghana	-	6
	Crown Agents	+	5
	Interest	+	5
	Sundries	-	2
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		-	\$69mn.
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23rd December 1982.

DAHB

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US BOND AND MONEY MARKETS

Thursday, 23rd December 1982

Federal Funds

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

US Governments (NY closing bids)

2-year: 99 $\frac{1}{4}$ (-) 9 $\frac{1}{2}$ %
5-year: 99 13/16 (+3/16) 10 3/16%
10-year: 100 $\frac{3}{8}$ (+ $\frac{1}{2}$) 10 7/16%
30-year: 98 $\frac{7}{8}$ (+ $\frac{1}{2}$) 10 $\frac{1}{2}$ %

Euro-dollars (Today's opening
London bid)

7-day: 9 13/16%
1-month: 9 5/16%
3-months: 9 7/16%
6-months: 9 11/16%

Federal Reserve Operations:

Four-day system repos with Fed Funds trading at 8 $\frac{1}{2}$ %. Stop rate 8.55%.

3-month Treasury Bills 8%
3-month US bank CDs 8 $\frac{1}{2}$ %
Differential $\frac{1}{2}$ %

Indicators

Comment:

Trading was quiet with prices advancing $\frac{1}{8}$ - $\frac{3}{8}$ points. Market now closed until Monday.

\$7.25bn. one-year TBs were auctioned; expected yield around 8 $\frac{1}{8}$ %; little investor interest.

24th December 1982.

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