

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 30th December 1982

A very quiet day indeed on the exchanges. Rates remained in a narrow range in light trading. The dollar, which might have been expected to weaken further on a more modest rise than forecast in the index of leading indicators (+0.5%, net of revisions) held steady, sustained again by the seasonal tightness of US short-term interest rates. Sterling absorbed some modest selling during the morning but recovered to close unchanged in effective terms at 84.3.

The pound ended a quiet evening in New York yesterday at 1.6247. This morning the rate opened at 1.6245 but soon came under a little pressure as some selling developed from the Indian Sub-Continents and the dollar strengthened generally. The rate moved down to 1.6195 in early business but then settled a little above 1.62 for the balance of the morning. As the dollar eased in the early afternoon, following the release of the leading indicators figure, the rate moved up to 1.6237 before closing at 1.6220. Despite the firmness of short-term rates, three-month Euro-dollars were 1/16% easier at 9¼% and sterling's forward discount narrowed to 15/16%.

The pound was unchanged in Europe, closing at 3.85½ in Germany, 10.91¼ in France and 3.24¼ in Switzerland. The dollar, too, was little changed in these centres at 2.3762, 6.7275 and 1.9985 respectively. EMS again closed 2¼% wide between the French franc at the top and the Belgian franc (46.76) at the bottom but the latter required support against most of the stronger currencies. The Belgians sold a total of \$36mn. in five currencies, while the Dutch bought Belgian francs worth \$15mn. The French bought \$91mn. (taking total purchases over the past week to almost \$600mn.) and the Danes \$22mn., while the Italians sold \$85mn. and the Irish \$28mn. The yen eased to 233.90.

Gold was again an active market but after fixing at \$457.25 and \$456.90 the price weakened sharply in late business when it moved back below \$450.

Operations:	Market	+	\$4mn.
	Interest	+	5
		+	<u>\$9mn.</u>

30th December 1982.

TRS



US BOND AND MONEY MARKETS

Thursday, 30th December 1982

Federal Funds

Opening: 10 $\frac{1}{4}$ %  
Range: 9 $\frac{3}{4}$ % - 11%  
Close: 10 $\frac{1}{4}$ %

US Governments (NY closing bids)

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

Euro-dollars (Today's opening  
London bid)

7-day: 9 $\frac{1}{2}$ %  
1-month: 9 3/16%  
3-months: 9 $\frac{1}{4}$ %  
6-months: 9 $\frac{3}{8}$ %

Federal Reserve Operations:

1 and 4-day repurchase agreements  
for system account with Fed Funds  
at 10 $\frac{3}{4}$ %. Stop rate 10.49%.

Bought \$300mn. Treasury Bills for  
a customer.

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

Indicators

Index of leading indicators +0.8% in November  
(October revised to +0.3% from +0.6%)

Comment:

Another very quiet day, with the high Funds rate inhibiting  
activity.

31st December 1982.

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