

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 4th January 1983

As widely predicted, the New Year opened with a sharp weakening of the dollar. Most of the movement occurred in Europe and the US yesterday and it was particularly pronounced against the yen, for which there was heavy commercial and professional demand. Expectations of lower US interest rates were one of the factors in the dollar's weakness but these received a setback from the rather disappointing US money supply figures (M1 -\$2.4bn.) announced last night and the dollar consolidated at its lower levels today. Sterling was rather soft, adversely affected by talk of lower oil prices and the UK's strained diplomatic relations with Saudi Arabia. The ERI, which opened at 84.1, closed at 83.8, 0.5 down from last Friday.

As the dollar weakened yesterday, sterling traded up from its close in London last Friday at 1.6175 to end in New York last night at 1.6312. This morning the pound opened at 1.6275 and initially traded quite actively around this level in reasonable two-way business, reaching 1.6295 at best. However, as the morning wore on some commercial selling was seen and when the news services reported that Gulf oil producers were shortly to hold a meeting when lower oil prices might be discussed, the rate began to give ground. It dipped to 1.6224 during the afternoon, when the dollar was recovering some of its early losses, and ended at 1.6242. Three-month Eurodollars fell 3/16% to 9½% and sterling's forward discount was 1¼%.

The pound was easier in Europe, falling 1¼% in Switzerland (3.21½) and ½% in France (10.86½) and Germany (3.83½). The dollar closed almost unchanged from its opening, but some 1% below last Friday's levels, in each of these centres at 1.9802, 6.6890 and 2.3605, respectively. In EMS the Danish crown (8.3240) claimed top place, 2% above the Belgian franc (46.39). The only intervention today was by the Italians, who sold \$52mn. (after sales of \$40mn. yesterday, when the French also sold \$66mn., of which \$46mn. was in deutschemarks). The yen again outpaced the improvement shown elsewhere, rising 3% from Friday to close at 228.67.

Gold traded narrowly around the \$450 level, fixing at \$452.75 and \$449.50.

Operations:	IDA	+\$15mn.
	Interest	+ 8
	Sundries	+ 4
		<hr/>
		+\$27mn.
		<hr/> <hr/>

4th January 1983.  
TRS

US BOND AND MONEY MARKETS

Tuesday, 4th January 1983

Federal Funds

Opening: 9½%  
Range: 8¾-9¼%  
Close: 8%

US Governments (NY closing bids)

2-year: 99¾ (-) 9 7/16%  
5-year: 100¼ (+¼) 10 1/16%  
10-year: 101 (-) 10 5/16%  
30-year: 99¾ (-¼) 10 7/16%

Euro-dollars (Today's opening  
London bid)

7-day: 9¾%  
1-month: 9 1/16%  
3-months: 9 1/16%  
6-months: 9 3/16%

Federal Reserve Operations:

\$1.5bn. customer repurchase agreement  
with Fed.funds at 9½%. Stop rate  
9.63%. Bought \$175mn. Treasury  
Bills for customers.

3-month Treasury Bills 8 1/16%  
3-month US bank CDs 8 9/16%  
Differential ½%

Indicators

Comment:

The market traded throughout the day in a narrow range around  
the previous night's closing levels.

5th January 1983.

OP

56