

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 5th January 1982

Apart from a resurgence of rumours about an EMS realignment this weekend, there were no new factors in a quiet day's trading on the exchanges today. The dollar, which had weakened overnight in New York as Fed Funds eased, traded in a narrow range against all major currencies today. Sterling was soft with, as yesterday, concerns about lower oil prices the main cause. The ERI fell 0.3 to close at a new low of 83.5.

Sterling closed a quiet night in New York yesterday at 1.6290. This morning the rate opened at 1.6247 and it touched 1.6265 in early business. Some modest commercial selling then developed from London and Switzerland and the pound soon fell back to trade for most of the balance of the day around the 1.62½ level. Although at one stage it looked as if 1.62 might be tested, the rate fell no lower than 1.6203 and recovered again with the help of some official assistance. Sterling closed at 1.6220. Three-month Euro-dollars were unchanged at 9 1/16% and sterling's forward discount remained at 1¼%.

The pound lost further ground in Europe, particularly in Switzerland, where it fell another 1¼% to 3.17½; in Germany and France it closed ½% lower at 3.81½ and 10.81½ respectively. The dollar fell 1% in Zurich (1.9592) and about ½% in both Frankfurt (2.3504) and Paris (6.6680). As speculation on a weekend realignment in EMS recommenced, the band widened to 2¼% between the Danish crown (8.2840) at the top and the Belgian franc (46.28) at the bottom. The Danes bought \$75mn. and the Italians bought \$57mn. The yen eased a little on profit-taking, closing at 229.15.

With the dollar rather weaker, the gold price firmed. Fixings were at \$454.75 and \$454.

Operations:	Market	-	\$23mn.
	BIS	+	8
	Interest	+	5
	Sundries	+	6
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		-	\$4mn.
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5th January 1983.

TRS

US BOND AND MONEY MARKETS

Wednesday, 5th January 1983

Federal Funds

Opening: 9%  
Range: 2% - 9%  
Close: 2%

US Governments (NY closing bids)

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

Euro-dollars (Today's opening  
London bid)

7-day: 8 $\frac{1}{8}$ %  
1-month: 8 $\frac{1}{8}$ %  
3-months: 8 15/16%  
6-months: 9 1/16%

Federal Reserve Operations:

\$1bn. customer repurchase agreement  
with Fed Funds at 9%. Stop rate  
9.02%.

Bought \$650mn. Treasury Bills for  
customers.

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

Indicators

Comment:

The market traded in a narrow range through the morning.  
In the afternoon, with the slide in the Fed Funds rate being ignored,  
the long end of the market lost ground to close at its low.

6th January 1983.

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