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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 27th January 1983

The dollar's sharp gyrations on the exchanges continued but the volume of business seemed to drop further today. The dollar strengthened in New York last night following the release of better-than-expected trade figures and a poor bond market response to the State of the Union speech. Sterling was a rather quiet market. The good December trade figures had no immediate impact and the ERI closed 0.1 lower at 81.1.

As the dollar moved up in New York last night sterling drifted back to 1.5360. This morning the rate opened at 1.5407 and reached 1.5427 in early business. However, as the dollar strengthened during the morning on some demand from Eastern Europe, sterling eased back to settle around 1.53 $\frac{3}{4}$ for most of the day. Activity was light and apart from some modest official selling from North Africa during the morning and from early New Yorkers around noon, when the rate dipped to 1.5335, no significant business was seen. The rate closed at 1.5380. After the close, with rumours emanating from New York of a British bank in financial difficulties, sterling held steady around the closing level although the dollar was then easing elsewhere. Three-month Euro-dollars were $\frac{1}{8}$ % firmer at 9 5/16% and the cost of forward cover remained at 2 1/16%.

The pound was almost unchanged in Europe, closing at 3.74 $\frac{5}{8}$ in Germany, 10.61 $\frac{3}{8}$ in France and 3.06 $\frac{3}{8}$ in Switzerland. The dollar strengthened by about $\frac{3}{8}$ % in each of these centres to end at 2.4360, 6.9012 and 1.9948 respectively. In EMS, the guilder (2.6812) resumed its normal position at the top of the band, 2 3/16% above the Belgian franc (47.80). The Belgians sold guilders worth \$6mn. and the Dutch bought Belgian francs worth \$4mn., while the Italians sold \$138mn., the Irish \$14mn. and the French bought deutschemarks worth \$98mn. The yen closed at 236.35.

Despite the firmness of the dollar, gold moved up further on the back of strong demand for silver. Fixings were at \$493.50 and \$496.50.

Operations:	Market	+	\$9mn.
	Sundries	+	6
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		+	\$15mn.
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27th January 1983.

TRS

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US BOND AND MONEY MARKETS

Thursday, 27th January 1983

Federal Funds

Opening: 8½%
Range: 8¼% - 8½%
Close: 8½%

US Governments (NY closing bids)

2-year: 99½ (+¼) 9½%
5-year: 99½ (-) 10 3/16%
10-year: 99½ (-¼) 10½%
30-year: 96¼ (-) 10¼%

Euro-dollars (Today's opening
London bid)

7-day: 8¾%
1-month: 9 1/16%
3-months: 9 5/16%
6-months: 9 9/16%

Federal Reserve Operations:

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

Indicators

Comment:

The market opened lower, but gradually improved, in fairly quiet trading, to around the previous night's closing level.

28th January 1983.

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