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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 4th February 1983

Once more the main movement on the exchanges took place in New York last night where the dollar strengthened as it became evident there was little interest in the 30-year element of the Treasury's financing package. Today, despite a further sign of recovery in the economy in the form of a 0.4% drop in the level of unemployment, the dollar traded in a narrow range and closed almost unchanged from its opening levels. Sterling was a quiet but nervous market with oil price concerns unsettling trading. Although it looked vulnerable at times, the rate ended relatively comfortably with the ERI 0.1 higher at 81.0.

Sterling was in some demand in New York last night and, although the dollar strengthened generally, the rate rose to close there at 1.5240. This morning sterling opened at 1.5220 and traded around this level for the first hour of business, reaching 1.5229 at best. However when an oil company came in to sell sterling in a market nervously receptive to any development in the oil sector, the rate fell quite quickly, reaching 1.5150 in mid-morning. When it became clear that the seller was merely jobbing as he covered some of his earlier sales, the rate recovered to the 1.51 $\frac{3}{4}$  level around noon. The afternoon was very quiet and although the rate dipped to 1.5145 as the dollar strengthened briefly following the release of the unemployment figures, it returned a little later to 1.52 before closing at 1.5180. Three-month Euro-dollars were  $\frac{3}{8}$ % firmer at 9 $\frac{1}{2}$ % and the cost of forward cover was 1 $\frac{3}{4}$ %.

The pound was a little stronger in Europe, gaining  $\frac{3}{8}$ % in Switzerland (3.09) and  $\frac{1}{4}$ % in Germany (3.76 $\frac{1}{2}$ ) and France (10.66). The dollar was some  $\frac{1}{2}$ % firmer in each of these centres at 2.0357, 2.4780 and 7.0227 respectively. Although by the close the Irish punt (1.3407) was at the bottom of EMS, 2 $\frac{1}{4}$ % from the guilder (2.7212), for most of the day the Belgian franc (48.48) was the weakest currency in the arrangement. It received modest support both from its own National Bank, who sold florins worth \$26mn., and from the Nederlandsche Bank who bought Belgian francs worth \$16mn., together with deutschemarks worth \$20mn. Meanwhile the French were again supporting their franc against the deutschemark, selling \$292mn., of which \$141mn. was in deutschemarks, and the Germans sold \$9mn. at their fixing. The yen closed at 240.35.

Gold traded uncertainly either side of \$500. The fixings were at \$501 and \$498.50.

Operations: Sundries + \$4mn.

4th February 1983.

TRS

US BOND AND MONEY MARKETS

Friday, 4th February 1983

Federal Funds

Opening: 8 $\frac{3}{8}$ %  
Range: 8 $\frac{1}{4}$ % - 8 $\frac{3}{8}$ %  
Close: 8 $\frac{3}{8}$ %

US Governments (NY closing bids)

2-year: 99 (- $\frac{1}{8}$ ) 9 $\frac{1}{4}$ %  
5-year: 98 $\frac{1}{2}$  (- $\frac{1}{4}$ ) 10 $\frac{1}{2}$ %  
10-year: 99 $\frac{1}{2}$  (- $\frac{1}{8}$ ) 11%  
30-year: 93 $\frac{3}{4}$  (- $\frac{3}{8}$ ) 11 $\frac{1}{8}$ %

Euro-dollars (Today's opening  
London bid)

7-day: 8 $\frac{1}{8}$ %  
1-month: 9%  
3-months: 9 $\frac{3}{8}$ %  
6-months: 9 11/16%

Federal Reserve Operations:

3-month Treasury Bills 8 $\frac{1}{2}$ %  
3-month US bank CDs 8 13/16%  
Differential 7/16%

Indicators

Unemployment 10.2% (against 10.7% on new basis in December)  
M1 +\$2.7bn.

Comment:

The market moved down in the first hour, following the unemployment announcement, but regained some of its losses by noon before the usual Friday afternoon doldrums set in.

7th February 1983.

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