

FE 2/24 RII

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 8th February 1983

Yesterday's pattern was repeated today as the deutschemark continued to trace a strong upward path, bringing further pressure on the dollar and some of the weaker European currencies. Breaching of a number of chart points, profit-taking and renewed expectations of a US Discount Rate cut have all been mentioned as being behind the softening of the dollar. Sterling was in good commercial demand at times but was unable to keep up with the deutschemark's pace and the ERI was unchanged at 81.2.

In New York last night the dollar continued its decline and the pound closed there at 1.5352. It opened at 1.5325 this morning, easing to 1.5313 as the dollar attempted to rally. This effort was shortlived and as the day progressed the rate resumed its rise on the back of commercial demand which more than offset some Middle East selling. It broke through to 1.5437 (81.3 in effective terms) just before mid-day. The afternoon session was less active and, after fluctuating narrowly, sterling closed at 1.5395. Interest rates eased, Euro-dollars declining by $\frac{1}{8}\%$ to $9\frac{5}{16}\%$; the cost of forward cover edged down to $1\frac{9}{16}\%$ p.a.

The pound was easier in Europe, closing at $3.09\frac{1}{2}$ in Switzerland, $3.75\frac{1}{2}$ in Germany and $10.64\frac{1}{2}$ in France. The deutschemark rose by over 1% to 2.4377 (having topped out at 2.4275 in mid-afternoon). The punt was then at the bottom of EMS but sales of \$38mn. pulled it away and by the close the Belgian franc (47.79) had been left behind, some $2\frac{1}{8}\%$ below the Danish krone (8.5625) which had ousted the florin. The French franc felt the strength of the deutschemark and was given support of \$104mn. in deutschemarks and \$48mn. in Swiss francs as it moved up in dollar terms to 6.9120; even so it eased a touch against the German currency, to 2.8355. The Italians sold \$34mn.; the Danes bought \$22mn.; the Dutch bought \$5mn., the guilder closing at 2.6837. The yen rallied to 236.45.

Gold made a modest recovery in thin trading, to fix at \$496.50 and \$497.25.

Operations:	Market	+	\$39mn.
	Iran	+	7
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		+	\$46mn.
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8th February 1983.

DAHB

DAHB

US BOND AND MONEY MARKETS

Tuesday, 8th February 1983

Federal Funds

Opening: $8\frac{3}{8}\%$
Range: $8\frac{1}{4}\%$ - $8\frac{1}{2}\%$
Close: $8\frac{3}{8}\%$

US Governments (NY closing bids)

2-year: $98\frac{7}{8}(-\frac{1}{8})$ $9\frac{7}{8}\%$
5-year: $98\frac{3}{8}(-\frac{1}{8})$ $10\frac{9}{16}\%$
10-year: $99\frac{1}{4}(-\frac{1}{8})$ 11%
30-year: $93\frac{3}{8}(-\frac{1}{4})$ $11\frac{1}{8}\%$

Euro-dollars (Today's opening
London bid)

7-day: $8\frac{13}{16}\%$
1-month: $8\frac{15}{16}\%$
3-months: $9\frac{1}{4}\%$
6-months: $9\frac{9}{16}\%$

Federal Reserve Operations:

3-month Treasury Bills $8\frac{3}{8}\%$
3-month US bank CDs $8\frac{5}{8}\%$
Differential $\frac{1}{4}\%$

Indicators

Comment:

After moving $\frac{1}{8}$ point higher early in the morning, prices drifted back, in light activity, to close $\frac{1}{8}$ - $\frac{1}{4}$ down on the day.

9th February 1983

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