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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 9th March 1983

The more encouraging nature of the comments emerging from the OPEC conference on the prospects for a new agreement helped sterling to recover swiftly today from the new lows set in New York last night and contributed to a slightly better tone for sterling on the exchanges. Meanwhile, the dollar moved rather erratically in generally featureless trading. Sterling's ERI, after opening at a new low of 79.2, closed 0.1 down on the day at 79.5.

Some considerable commercial selling of sterling was triggered in New York last night as the rate fell through 1.50 and it eventually traded as low as 1.4930, before closing at 1.4950. Some improvement was seen in the Far East and the pound opened in London this morning at 1.4987 but quickly traded down to 1.4975. Some sizeable buying, perhaps on investment account, was then seen from the Middle East and, although the dollar was at this time strengthening elsewhere as Euro-dollar rates moved higher, this carried sterling above 1.50. When Yamani expressed cautious optimism that OPEC might conclude with an agreement tomorrow, sterling rose further, reaching 1.5096 in late morning when the dollar was easing back in Europe. Little business was seen in sterling during a quiet afternoon when the dollar weakened further as Euro-dollar rates shed part of their early gains. Sterling traded narrowly around 1.5050, ending at 1.5036. Three-month Euro-dollars finished the day $\frac{1}{8}\%$ firmer at 9 $\frac{3}{16}\%$, having earlier been $\frac{1}{8}\%$ above yesterday, and the cost of forward cover narrowed to $1\frac{1}{8}\%$.

The pound was $\frac{1}{8}\%$ easier in Switzerland (3.09 $\frac{3}{8}$) and Germany (3.61 $\frac{1}{4}$) but unchanged in France (10.31). The dollar ended a little lower than yesterday in each of these centres at 2.0577, 2.4025 and 6.8575. EMS remained fully stretched throughout the day between the Belgian franc (47.36) at the bottom and the deutschemark. The Belgians sold deutschemarks worth \$96mn., while the Germans bought Belgian francs worth \$17mn. The Italians sold \$110mn., the Irish \$47mn. (of which \$8mn. was in deutschemarks) and the Danes \$31mn. After its weakness of yesterday, the yen was in strong demand today from Eastern Europe and in heavy trading it improved $\frac{1}{2}\%$ to 237.27.

Gold was firmer but steady, awaiting news from OPEC. Fixings were at \$424.25 and \$426.

Operations:	Market	+	\$9mn.
	West Midlands C.C.	+	15
	(PSB G'teed)		
	Iran	+	14
	IDA	+	12
	BIS	+	6
	Interest	+	5
	Sundries	+	3
			<hr/>
		+	\$64mn.
			<hr/> <hr/>

9th March 1983.

TRS

US BOND AND MONEY MARKETS

Wednesday, 9th March 1983

Federal Funds

Opening: 8 $\frac{5}{8}$ %
Range: 7 $\frac{3}{4}$ % - 8 $\frac{5}{8}$ %
Close: 8%

US Governments

(NY close)

2-year: 100 (- $\frac{1}{8}$) 9 $\frac{5}{8}$ %
5-year: 99 $\frac{1}{4}$ (- $\frac{1}{8}$) 10 1/16%
10-year: 102 $\frac{3}{8}$ (-) 10 $\frac{1}{2}$ %
30-year: 97 $\frac{1}{4}$ (+ $\frac{1}{8}$) 10 $\frac{3}{8}$ %

Euro-dollars

(Today's London opening-
middle rates)

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

Federal Reserve Operations

Bought \$700mn. Treasury Bills
for customers.

3-month Treasury Bills 8 5/16%
3-month US bank CDs 8 9/16%
Differential $\frac{1}{4}$ %

Indicators

Comment:

The market traded in a narrow range, mainly just below the previous night's closing levels, in a day of light trading. In line with expectations, the Treasury announced a \$7 $\frac{1}{4}$ bn. two-year note to be auctioned on 16th March.

10th March 1983.

OP
OR