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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 17th March 1983

The pound was very much a spectator today as the stage filled with other players acting out their interest rate reductions and the spectre of another EMS realignment was discerned in the wings. By the close the stronger currencies were again showing little net change and the weaker ones were reflecting on another day of unease. Sterling's ERI edged up to 79.4.

New York believed that a realignment had been agreed (and were even expecting to find some markets accordingly closed today) but sterling sat back, closing at 1.5090 last night. Today, having opened at 1.5080 it was quoted within the narrow band of 1.5095 and 1.5045 before closing at 1.5062. There was modest buying interest in the first hour or so. After the close, with the dollar beginning to advance, the first movement of any strength began, down towards 1.50. Three-month Eurodollars moved a shade higher, to 9 5/16%, and the cost of three-months' cover to 1 1/4%.

In Germany, the pound eased to 3.58 1/4 and in Switzerland to 3.08 1/2 but it recovered against a weak French franc, to 10.36 1/2. The franc eased to 6.9050 after Poehl was reported as expecting a realignment; a subsequent denial helped it to recover to 6.8825, the Germans having bought francs equivalent to \$6mn. They also bought Danish crowns worth \$35mn., the crown - in the absence of the Irish, commemorating St. Patrick - ending as back marker of a fully distended EMS at 8.59; the Danes themselves sold \$79mn. (of which \$59mn. in deutschemarks). The deutschemark eased to 2.3830 this afternoon but closed little changed at 2.3786 as realignment thoughts extinguished the weakening effect of the interest rate cuts. The Belgian franc (46.89) also required support, in deutschemarks worth \$28mn. The Italians lost \$47mn. There was little change in the Swiss franc at 2.0507 but the yen moved perceptibly lower at 238.25.

Gold remains unsettled and lacking any substantive buying interest. Fixings were at \$416.75 and \$416.50.

Operations:	Market	+	\$7mn.
	IDA	+	16
	Greece	-	9
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		+	\$14mn.
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17th March 1983.

DAHB

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US BOND AND MONEY MARKETS

Thursday, 17th March 1983

Federal Funds

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

US Governments

(NY close)

2-year: 99 $\frac{3}{4}$  (-) 9 $\frac{3}{4}$ %  
5-year: 98 $\frac{7}{8}$  (-) 10 $\frac{1}{8}$ %  
10-year: 102 (+ $\frac{1}{8}$ ) 10 $\frac{1}{2}$ %  
30-year: 97 $\frac{1}{4}$  (+ $\frac{1}{8}$ ) 10 11/16%

Euro-dollars

(Today's London opening-  
middle rates)

7-day: 9 1/16%  
1-month: 9 $\frac{1}{4}$ %  
3-months: 9 $\frac{3}{8}$ %  
6-months: 9 $\frac{1}{2}$ %

Federal Reserve Operations

3-month Treasury Bills 8 7/16%  
3-month US bank CDs 8 $\frac{1}{4}$ %  
Differential 5/16%

Indicators

Comment:

After showing gains up to  $\frac{3}{8}$  in early trading, the market drifted lower on the lack of retail interest and the high Fed Funds rate.

18th March 1983.

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