

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSThursday, 24th March 1983

After its strength of the past few days, the dollar eased back today, led by the yen, as dealers took profits and concerns about higher US interest rates appeared to diminish a little, helped perhaps by news that Venezuela had declared a 90-day moratorium on debt payments. Sterling was a very active two-way market. After setting new lows during the morning, the tone improved a little as the day wore on. The February trade figures had no impact. The ERI closed down 0.2 at 78.1, after a new low of 77.9 at the commencement of business.

The dollar eased in New York last night as the US bond market rallied and the pound improved to close there at 1.4632. This morning the rate opened at 1.4602 but immediately encountered some heavy selling from Europe when dealers misinterpreted new Venezuelan oil prices as undercutting, rather than implementing, the OPEC settlement. With an oil company and some official selling in the market at this time, the pound fell to another new low of 1.4555 in the first hour of business before steadying. At the lower levels some good professional buying was seen from Eastern Europe and this helped to carry sterling above 1.46 by mid-morning. However, heavy and widespread commercial selling was triggered at around 1.4625 and the pound failed to breach this level throughout the mid-day period. With New York looking today to take some profits in the dollar and Euro-dollar rates easing back in the afternoon, the dollar weakened in the latter part of the day. This enabled sterling, on the back of some strong professional demand in London, and despite profit-taking from Eastern Europe, to move up quite strongly to reach 1.4665 at best. The pound closed at 1.4644. Three-month Euro-dollars shed 3/16% over the day to close at 9 7/16% and the cost of forward cover was unchanged at 1 1/16%.

The pound lost some ground in Europe, closing  $\frac{3}{8}\%$  down in France (10.58 $\frac{1}{2}$ ) and Germany (3.53 - a new all-time low) and  $\frac{3}{8}\%$  off in Switzerland (3.02 $\frac{1}{4}$ ). The dollar ended  $\frac{1}{2}\%$  down in each of these centres at 7.2305, 2.4112 and 2.0644. The Danish crown (8.56) edged the punt (1.3105) out of top position in EMS, 2 $\frac{1}{4}\%$  above the deutschemark. The French bought a further \$143mn. of deutschemarks, the Belgians bought \$59mn. in deutschemarks and \$47mn. in florins, the Irish bought \$15mn. and the Danes \$4mn., both in deutschemarks, while the Italians sold \$159mn. and the Germans \$53mn., of which \$2mn. was in Danish crowns, \$1mn. in punts and the balance in French francs. The yen continued in strong demand from Europe, gaining 1% to 236.15.

Gold traded in a narrow range. Fixings were at \$415 and \$415.50.

Operations:	Market	+	\$1mn.
	IDA	+	7
	Government	-	15
	Sundries	-	1
			<hr/>
		-	\$8mn.
			<hr/> <hr/>

24th March 1983.

TRS



US BOND AND MONEY MARKETS

Thursday, 24th March 1983

Federal Funds

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

US Governments

(NY close)

2-year: 99 $\frac{5}{8}$  (- $\frac{1}{8}$ ) 9 13/16%  
5-year: 98 $\frac{5}{8}$  (-) 10 $\frac{1}{4}$ %  
10-year: 102 (- $\frac{1}{8}$ ) 10 $\frac{1}{2}$ %  
30-year: 98 $\frac{1}{8}$  (-) 10 $\frac{5}{8}$ %

Euro-dollars

(Today's London opening-  
middle rates)

7-day: 9 9/16%  
1-month: 9 7/16%  
3-months: 9 $\frac{1}{2}$ %  
6-months: 9 $\frac{5}{8}$ %

Federal Reserve Operations

3-month Treasury Bills 8 $\frac{1}{8}$ %  
3-month US bank CDs 8 15/16%  
Differential 5/16%

Indicators

Comment:

The market traded throughout the day in a narrow range around the previous day's closing levels.

The new \$3 $\frac{1}{4}$ bn. 20-year bond was auctioned at a yield of 10.81%.

25th March 1983.

OP 00