

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSFriday, 25th March 1983

Exhausted by the sharp movements and heavy trading seen in the first four days of the week, the exchanges relapsed into relative torpor today. For the most part rates traded in a narrow range in fairly light activity and, from a firm opening, the dollar closed almost unchanged from yesterday. Sterling saw some two-way business in the morning but was steady in effective terms, the ERI closing unchanged at 78.1.

The dollar strengthened in New York last night as Fed Funds ended the day on a firm note and sterling fell back to close there at 1.4590. After opening at the same rate this morning, the pound traded fairly close to this level throughout the day, falling no lower than 1.4568 in mid-morning when a US oil company was selling in some size. However, this pressure was partially absorbed by demand from a UK oil company and the fall was only temporary. The dollar eased after the entry of New York, helped by slightly lower Fed Funds today, and sterling recovered to touch 1.4625 before ending at 1.4620. Three-month Euro-dollars were  $\frac{1}{8}\%$  firmer at 9 9/16% but the cost of forward cover remained at 1 1/16%.

The pound was marginally weaker in Europe, closing at 3.52 $\frac{1}{2}$  in Germany, 10.57 $\frac{3}{4}$  in France and 3.01 $\frac{1}{2}$  in Switzerland. The dollar ended at 2.4131 in Frankfurt, 7.2350 in Paris and 2.0622 in Zurich. The French franc assumed top position in EMS, 2 $\frac{1}{2}\%$  above the deutschemark, the Bank of France having bought deutschemarks worth \$340mn. and the Bundesbank having sold French francs worth \$52mn. In addition the Italians bought \$102mn., the Belgians \$54mn. (\$37mn. in florins and \$17mn. in deutschemarks) and the Irish bought deutschemarks worth \$16mn. The yen closed at 236.55.

Gold met some selling in New York last night as the dollar strengthened, falling there to \$410. Today in Europe it traded quietly around the fixing levels, which were \$411.25 and \$411.75.

Operations:	Market	+	\$7mn.
	Government	-	30
	Bangladesh	-	15
	Sundries	+	3
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		-	\$35mn.
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25th March 1983.

TRS

US BOND AND MONEY MARKETS

Friday, 25th March 1983

Federal Funds

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

US Governments

(NY close)

2-year: 99 $\frac{1}{2}$  (- $\frac{1}{8}$ ) 9 15/16%  
5-year: 98 $\frac{1}{2}$  (- $\frac{1}{8}$ ) 10 5/16%  
10-year: 101 $\frac{1}{8}$  (- $\frac{5}{8}$ ) 10 $\frac{5}{8}$ %  
30-year: 97 $\frac{1}{2}$  (- $\frac{7}{8}$ ) 10 11/16%

Euro-dollars

(Today's London opening-  
middle rates)

7-day: 9 $\frac{3}{4}$ %  
1-month: 9 9/16%  
3-months: 9 $\frac{5}{8}$ %  
6-months: 9 $\frac{3}{4}$ %

Federal Reserve Operations

3-month Treasury Bills 8 11/16%  
3-month US bank CDs 9%  
Differential 5/16%

Indicators

M1 - \$1.3bn.

Comment:

After a quiet morning, bearish remarks by Kaufman, in particular the necessity for Fed Funds to trade  $\frac{1}{2}$ % - 1% higher to bring M1 growth under control, moved the market sharply lower.

28th March 1983.

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