

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSMonday, 28th March 1983

The dollar started the week on a very firm note following a warning from Henry Kaufman on the Fed's need for higher short-term US rates to control the growth in money supply. With markets awaiting BNO's pricing announcement later in the week, sterling was rather lightly traded. Although it fell to new lows against the dollar, it was steady in Europe and the ERI also closed unchanged at 78.1.

Kaufman's remarks totally overshadowed the larger-than-expected \$1.3bn. fall in M1 announced on Friday evening and the dollar strengthened against most currencies. Sterling, however, was in some demand and closed almost unchanged from London at 1.4615. The dollar continued to improve in the Far East early this morning, taking sterling back to 1.4577 by the London opening and it remained around this level for most of a quiet morning, reaching 1.4586 at best. Some modest two-way commercial business was seen until after mid-day when some selling from the US took sterling below 1.4550. With the dollar rising further in other centres at this time, the pound fell to a new low of 1.4515 during the afternoon before closing at 1.4535. Euro-dollar rates were affected by end-quarter pressures as well as by Kaufman and the three-month rate rose 3/16% to 9 3/4%. The cost of forward cover narrowed to 1% as sterling inter-bank rates edged higher.

The pound was slightly firmer in Europe, closing 1/4% higher in Germany (3.53 3/8) and France (10.60 3/8) and 1/2% firmer in Switzerland (3.03). The dollar rose 1/4% in each of these centres to 2.4328, 7.2955 and 2.0847. The punt (1.2990) regained top position in EMS, 2 1/4% above the deutschemark, although for much of the day the French franc was the strongest currency. The French bought a further \$396mn. of deutschemarks, the Italians \$107mn., the Belgians \$44mn. worth of florins and the Irish \$17mn. worth of deutschemarks, while the Germans sold French francs worth \$151mn. The yen fell 1 3/8% to 239.92.

Gold slipped back in the face of firmer US interest rates, fixing at \$412 and \$408.75.

Operations:	Market	+	\$4mn.
	IDA	+	9
	Sundries	-	2
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		+	\$11mn.
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28th March 1983.

TRS



US BOND AND MONEY MARKETS

Monday, 28th March 1983

Federal Funds

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

US Governments

(NY close)

2-year: 99 $\frac{1}{2}$  (-) 9 15/16%  
5-year: 98 $\frac{1}{4}$  (-) 10 5/16%  
10-year: 101 $\frac{1}{2}$  (+ $\frac{1}{8}$ ) 10 $\frac{5}{8}$ %  
30-year: 97 $\frac{3}{8}$  (+ $\frac{1}{8}$ ) 10 11/16%

Euro-dollars

(Today's London opening-  
middle rates)

7-day: 10 $\frac{1}{8}$ %  
1-month: 9 $\frac{3}{4}$ %  
3-months: 9 13/16%  
6-months: 9 15/16%

Federal Reserve Operations

3-month Treasury Bills 8 11/16%  
3-month US bank CDs 9 1/16%  
Differential  $\frac{3}{8}$ %

Indicators

Comment:

A quiet day which saw little movement in prices.

29th March 1983.

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