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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 29th March 1983

With the exchanges dealing today for the end of the quarter, and the end of the fiscal year in some centres, there were seasonal pressures on interest rates and the dollar remained very firm but in light activity. Sterling held up relatively well, helped by some optimism that the forthcoming cut in the price of North Sea oil would not be sufficient to disrupt the recent OPEC settlement. The ERI rose 0.1 to 78.2.

The dollar eased temporarily in New York last night enabling sterling to rise to 1.4580 by the close there. This morning from an opening rate of 1.4575 the pound touched 1.4580 in early business but then fell back as some moderate commercial selling, led by an oil company, developed in London. With the dollar moving higher at this time, and throughout the first half of the afternoon, sterling eased back to 1.4535 at the low before closing at 1.4549. Euro-dollar rates added another 1/16% in the three months area, to close at 9 13/16% - their highest level for over three months - and the cost of forward cover widened to 1 1/16%.

The pound was steady in Europe, finishing at 3.53 1/4 in Germany, 3.02 1/2 in Switzerland and 10.60 1/4 in France. The dollar, too, was little different from last night at 2.4310, 2.0812 and 7.2875. The French franc edged the punt (1.30) from top place in EMS, 2 1/2% above the deutschemark. The French bought a further \$224mn.-worth of deutschemarks and \$7mn. of florins, the Belgians bought florins worth \$70mn., the Irish bought \$12mn. (\$11mn. in deutschemarks and \$1mn. in florins), while the Germans and the Dutch sold French francs worth \$212mn. and \$2mn. respectively. The yen closed almost unchanged at 239.75.

Gold was quiet but firmed a little over the day. The fixings were at \$412 and \$412.75 but the price was later quoted up to \$415.

Operations:	Market	+	\$10mn.
	IDA	+	15
	Interest	+	12
	IMF	-	33
	Sundries	+	4
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		+	\$8mn.
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29th March 1983.

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US BOND AND MONEY MARKETS

Tuesday, 29th March 1983

Federal Funds

Opening: 8 $\frac{7}{8}$ %  
Range: 8 $\frac{1}{4}$ % - 9%  
Close: 8 $\frac{3}{4}$ %

US Governments

(NY close)

2-year: 99 $\frac{5}{8}$  (+ $\frac{1}{8}$ ) 9 $\frac{7}{8}$ %  
5-year: 98 $\frac{3}{8}$  (+ $\frac{1}{8}$ ) 10 $\frac{1}{4}$ %  
10-year: 101 $\frac{1}{4}$  (+ $\frac{1}{4}$ ) 10 9/16%  
30-year: 97 $\frac{5}{8}$  (+ $\frac{1}{4}$ ) 10 $\frac{5}{8}$ %

Euro-dollars

(Today's London opening-  
middle rates)

7-day: 9 5/16%  
1-month: 9 9/16%  
3-months: 9 $\frac{5}{8}$ %  
6-months: 9 13/16%

Federal Reserve Operations

3-month Treasury Bills 8 11/16%  
3-month US bank CDs 9%  
Differential 7/16%

Indicators

US February Trade deficit \$3.6bn.

Comment:

There was virtually no activity behind the price improvement.

30th March 1983.

DAHB

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