

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSWednesday, 30th March 1983

The dollar eased today in light trading as seasonal pressures on US interest rates diminished with the commencement of dealings for April and Mr. Regan said he saw no need for rates to rise. Sterling traded comfortably, rising strongly at the end of the day following the announcement of BNOC's new pricing structure. The ERI rose 0.3 to 78.5.

Sterling closed quietly in New York last night at 1.4545. This morning the rate opened at the low for the day of 1.4555 and moved up quickly in early business, with some good professional buying from Eastern Europe. The dollar was weakening rapidly elsewhere at this time, as dealers reacted to the Financial Times interview with Mr. Regan, and the pound reached 1.4615 in the first hour of trading. The higher levels, however, attracted some commercial selling from Europe and by late morning the rate was back to the opening, although the dollar remained soft in other centres. With the US bond market opening on a firm note, the dollar tended to ease a little further at first during the afternoon and sterling reached 1.4590 immediately before the BNOC announcement. This provoked some strong buying of sterling from the US and the pound moved up further, to 1.4641 by the close, although the dollar was then beginning to recover following a much stronger rise than expected in the index of leading indicators. Later, sterling was quoted up to 1.4680. Three-month Euro-dollars shed  $\frac{1}{4}\%$  to close at 9  $\frac{9}{16}\%$  and the cost of forward cover narrowed to 1%.

The pound was a little firmer in Europe, gaining  $\frac{1}{4}\%$  in Germany (3.54 $\frac{1}{2}$ ) and France (10.62 $\frac{1}{2}$ ) and  $\frac{3}{8}\%$  in Switzerland (3.03 $\frac{1}{2}$ ). The dollar lost  $\frac{3}{8}\%$  in each of these centres to close at 2.4204, 7.2575 and 2.0757. The French franc remained top of EMS with the deutschemark at the bottom but intervention was very light. The Italians bought \$90mn., the Belgians bought guilders worth \$20mn. and the French bought deutschemarks worth \$2mn. while the Germans sold French francs worth \$12mn. The yen closed at 239.15.

Gold strengthened in quiet trading. Fixings were at \$417.25 and \$418.

Operations:	Market	-	\$2mn.
	Sundries	-	2
		-	\$4mn.
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	Overnight	+	\$4mn.
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30th March 1983.

TRS



US BOND AND MONEY MARKETS

Wednesday, 30th March 1983

Federal Funds

Opening: 8 $\frac{7}{8}$ %  
Range: 8 $\frac{3}{4}$ % - 9 $\frac{5}{8}$ %  
Close: 8 $\frac{3}{4}$ %

US Governments

(NY close)

2-year: 99 $\frac{3}{8}$  (-) 9 $\frac{7}{8}$ %  
5-year: 98 $\frac{1}{4}$  (- $\frac{1}{8}$ ) 10 5/16%  
10-year: 101 $\frac{1}{8}$  (- $\frac{1}{8}$ ) 10 $\frac{5}{8}$ %  
30-year: 97 $\frac{3}{8}$  (- $\frac{1}{4}$ ) 10 11/16%

Euro-dollars

(Today's London opening-  
middle rates)

7-day: 9 $\frac{3}{8}$ %  
1-month: 9 $\frac{1}{2}$ %  
3-months: 9 $\frac{5}{8}$ %  
6-months: 9 13/16%

Federal Reserve Operations

Bought \$600mn. Treasury Bills for  
a customer.

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

Indicators

Leading indicators +1.4% in February (c.f. +3.5% in January)  
Factory orders -2.2% in February (c.f. +2.5% in January)

Comment:

The market attempted to do better but failed to hold early gains in light, professional activity. The high opening Funds rate was initially disregarded but the strength of leading indicators and the failure of the Fed to do repos took their toll. Factory orders were much as expected and the market drifted to its lows by the close.

31st March 1983.

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