

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSThursday, 31st March 1983

Sterling benefitted further today from yesterday's new pricing proposals from BNOG, as dealers took the view that there was a good chance they would not lead to retaliatory action by OPEC producers. In otherwise featureless and rather thin markets, with the dollar firm elsewhere, sterling moved up strongly from the start of business as operators hurried to cover short positions. The ERI rose 1.0 to 79.5.

The pound reached 1.4720 in New York last night before closing there at 1.47. Although by the London opening the rate had fallen back to 1.4665 it immediately began to rise on smallscale but widespread buying from London and Europe. Most of the demand seemed to be of a commercial nature but some professional selling was seen at various stages as the rate rose. By noon the pound had reached 1.4790 but it jumped to 1.4842 over the lunch period as early New Yorkers covered short positions. Some modest selling by an oil company was seen at the higher levels and the rate ended a little below its best at 1.4816. Three-month Euro-dollars were  $\frac{1}{8}\%$  firmer at  $9\frac{11}{16}\%$  and the cost of forward cover narrowed to  $\frac{7}{8}\%$ .

Sterling rose sharply in Europe, gaining almost  $1\frac{1}{2}\%$  against the major currencies to close at  $3.59\frac{1}{2}$  in Germany,  $10.77\frac{3}{8}$  in France and  $3.08\frac{3}{4}$  in Switzerland. The dollar was modestly firmer in each of these centres at 2.4260, 7.2715 and 2.0840. The Danish crown (8.6050) headed EMS by the close with the deutschemark, as usual at the bottom of the band. The French bought a further \$176mn. worth of deutschemarks, the Italians bought \$42mn., the Belgians bought florins worth \$10mn. and the Irish bought deutschemarks worth \$4mn., while the Germans sold \$16mn. (\$10 in Danish crowns and the balance in French francs) and the Dutch sold \$39mn. worth of French francs. The yen closed a little firmer at 238.92.

Gold was quiet and a little easier. Fixings were at \$414.25 and \$414.75.

Operations:	Market	+	\$25mn.
	Iran	+	14
			<hr/>
		+	\$39mn.
			<hr/> <hr/>

The result for March is a rise in reserves of \$759mn. of which \$1,046mn. is due to the annual revaluation. The underlying reduction of \$328mn. was struck after net receipts of new public sector borrowing of \$41mn. The oversold forward position was reduced by \$3mn. to \$3mn., which was then revalued to an overbought position of \$541mn.

31st March 1983


 TRS

US BOND AND MONEY MARKETS

Thursday 31st March and Monday 4th April

Federal Funds

	<u>Thursday</u>	<u>Monday</u>
Opening:	10 1/4%	9%
Range:	10 1/4%-11 1/4%	9%-9 3/8%
Close:	10 1/4%	9 1/4%

US Governments

	(NY close)	<u>Monday</u>
2-year:	99 5/8 (-)	9 7/8%
5-year:	98 1/2 (+ 1/4)	10 1/4%
10-year:	101 7/8 (+ 1/4)	10 9/16%
30-year:	97 5/8 (+ 1/4)	10 5/8%

Euro-dollars

(Today's London opening-middle rates)

7-day:	9 1/2%
1-month:	9 1/2%
3-months:	9 11/16%
6-months:	9 13/16%

Federal Reserve Operations

On Monday \$1bn. customer repurchase agreement with Fed Funds at 9%.

On Thursday, \$3bn. customer repurchase agreement with Fed Funds at 10 3/4% and bought \$200mn. Treasury Bills for customers.

3-month Treasury Bills	8 11/16%
3-month US bank CDs	9 1/16%
Differential	3/8%

Indicators

M1 + \$0.4bn.

Comment:

With end quarter pressures and the settlement of recent auctions producing a high Fed Funds rate, the market traded quietly to show small gains on both Thursday and Monday.

5th April 1983

OP

OP