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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 6th April 1983

Although the momentum behind sterling's improvement slackened this morning as recent gains were consolidated, there was another acceleration this afternoon following the coincident announcements of the money figures, the WPI and the reserves outturn for March. The ERI gained another 0.6 to 80.9. Meanwhile support of some \$130/140mn. each was necessary for the deutschemmark and florin in spite of the softer tone for the dollar which had developed overnight.

New York was quiet last night, the pound closing there at 1.5085. Having opened in London today at 1.5090 it rose to 1.5138 in the first hour, principally on demand from Germany. At that level, professional traders and an oil company were tempted to take profits and other operators stood back to reassess the new heights sterling had scaled. But the rate eased back no further than 1.5080 before mid-day. This afternoon, after the reassuring economic indicators became known, there was a renewed surge on New York buying which pushed the rate to a peak of 1.5183 before the close at 1.5160, by which time the dollar had begun a modest general recovery. Three-months' Euro-dollars lost 3/16% to 9½% in the aftermath of yesterday's pronouncement by a Federal Reserve official that long bond rates were overly high. The cost of forward cover edged up to 5/8% p.a.

There were further good gains for the pound in Europe: to 3.65½ in Germany, 10.95½ in France and 3.10 in Switzerland. The dollar opened up lower in these centres but was little changed by London's close, its gentle improvement then beginning. At the close here the deutschemmark stood at 2.4115 at the bottom of EMS, the Danish krone (8.5532) being strongest. During the day these positions had been held by the French franc (which closed at 7.2280) and the florin (2.7165) respectively. The Germans sold \$16mn. in French francs; the Dutch lost \$86mn. in French francs and \$13mn. in kroner. Support for these currencies was given in Belgium, where \$31mn. in deutschemarks and \$4mn. in florins were bought; in France, \$51mn. in German currency and \$6mn. in Dutch; and in Denmark where the florins totalled \$34mn. and the deutschemarks \$30mn. The Italians were able to buy \$308mn. The Swiss franc improved to 2.0447, the yen to 237.05.

Gold rallied at one point to \$433 in New York yesterday but fixed twice at \$428.50 in London today in quiet trading.

Operations:	Market	+	\$19mn.
	Bangladesh	-	6
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		+	\$13mn.
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6th April 1983.

DAHB

DAHB

US BOND AND MONEY MARKETS

Wednesday, 6th April 1983

Federal Funds

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

US Governments

(NY close)

2-year: 100 (+ $\frac{1}{8}$) 9 $\frac{5}{8}$ %
5-year: 99 $\frac{1}{8}$ (+ $\frac{1}{8}$) 10 $\frac{1}{8}$ %
10-year: 102 $\frac{1}{2}$ (-) 10 $\frac{1}{2}$ %
30-year: 98 $\frac{3}{4}$ (+ $\frac{1}{8}$) 10 $\frac{1}{2}$ %

Euro-dollars

(Today's London opening-
middle rates)

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

Federal Reserve Operations

\$1.5bn. customer repurchase
agreement with Fed Funds at 9%.
Stop rate 8.80%.

3-month Treasury Bills 8 $\frac{3}{8}$ %
3-month US bank CDs 8 $\frac{3}{4}$ %
Differential $\frac{3}{8}$ %

Indicators

Comment:

The market traded throughout the day in a narrow range
above the previous night's closing level.

6th April 1983.

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