

FE 2/24 Pt 2

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 11th April 1983

News over the weekend that BNOC's major customers would accept the recent North Sea oil pricing proposals gave sterling a very firm tone from the outset today. Helped, too, by rumours of a June General Election and by some good commercial demand in London, the pound rose strongly through the morning gaining two cents from Friday and closing at its best level for six weeks. The ERI rose 1.0 to 81.6. Elsewhere, rates remained within a narrow range, with the dollar generally a little easier following the \$0.1bn. decline in M1 announced on Friday.

Sterling saw some benefit from the BNOC news in New York on Friday, closing there against an otherwise little changed dollar at 1.5092. This morning the rate opened at 1.51 but began to rise immediately as some demand developed from Europe. Within the first hour of trading the rate had breached 1.52, with the dollar easing only slightly elsewhere, and when a large commercial order from London entered the market the rate reached 1.5250 at best in late morning. Thereafter the remainder of the day was very quiet and sterling settled to trade around 1.52¼ before ending at 1.5244. In late business, however, there was some demand for sterling from the US and the rate touched 1.5277. Three-month Euro-dollars fell ½% to 9¾% and the cost of cover remained at ¾%.

The pound rose strongly in Europe as well, gaining 1% in Germany (3.68½) and France (11.05½) and ½% in Switzerland (3.12). The deutschemark had improved to 2.42 by the London opening this morning but thereafter it remained in a narrow range, ending at 2.4184. Although close to the bottom of EMS throughout the day, it required only modest support (\$75mn. equivalent) of which \$27mn. was in Belgium, \$10mn. in France and \$2mn. in Denmark, with the balance in Germany itself. The guilder (2.7268) was the weakest currency in the band and support of \$56mn. equivalent was provided (\$50mn. from the Netherlands and the balance from Denmark). The Danish crown (8.5862) closed top of the band, closely followed by the French franc (7.2540). The Italians bought a further \$134mn. The Swiss franc was firm, improving to 2.0470, as was the yen which rose ½% to 238.05.

The prospect of some stability in oil prices, together with weekend developments in the Middle East, helped the gold price. Fixings were at \$427.75 and \$426.75 and the price was later quoted up to \$430.

Operations:	Market	+	\$50mn.
	Zimbabwe	+	9
	Iran	+	6
	IDA	+	5
	Sundry	+	1
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		+	\$71mn.
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11th April 1983.

TRS

US BOND AND MONEY MARKETS

Monday, 11th April 1983

Federal Funds

Opening: $8\frac{5}{8}\%$
Range: $8\frac{1}{2}\% - 8\frac{5}{8}\%$
Close: $8\frac{5}{8}\%$

US Governments

(NY close)

2-year: $100\frac{1}{4}$ ($+\frac{1}{4}$) $9\frac{1}{2}\%$
5-year: $99\frac{1}{2}$ ($+\frac{1}{4}$) 10%
10-year: $102\frac{7}{8}$ ($+\frac{3}{8}$) $10\frac{3}{8}\%$
30-year: $99\frac{3}{8}$ ($+\frac{1}{4}$) $10\frac{7}{16}\%$

Euro-dollars

(Today's London opening-
middle rates)

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

Federal Reserve Operations

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

Indicators

Comment:

The market opened firm, due mainly to the lower Fed Funds rate, and continued to rise for the next hour, in mainly professional trading, before running out of steam. Thereafter the market was quiet and steady.

12th April 1983.

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