

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSTuesday, 12th April 1983

Yesterday's pattern on the exchanges was continued today with sterling taking its recent recovery further, despite heavy professional selling at times, helped by further press speculation about the likelihood of a June general election. The ERI closed 0.4 higher at 82.0. The Swiss franc, following an increase in banks' time deposit rates, and the yen also strengthened but the deutschemark remained weak and received moderate support.

Although the dollar strengthened in New York last night, sterling rose to close almost at its high at 1.5290. As the dollar eased a little in the Far East this morning, sterling had risen to 1.5335 by the London opening and it touched 1.5356 in early business. However, substantial profit-taking on a position bought yesterday was encountered at the higher levels and when an East European professional began to sell sterling heavily in mid-morning, the pound dipped to 1.5315 at the low. The selling appeared, however, to be absorbed relatively easily and with some commercial demand materialising in late morning, sterling reached 1.5345 shortly before noon. As yesterday, the early part of the afternoon was quiet: the dollar remained firm and sterling traded around 1.5330, ending at 1.5332. Later, some US buying carried the pound up to 1.5415. Three-month Euro-dollars closed  $\frac{1}{8}\%$  lower at  $9\frac{1}{4}\%$  and the cost of cover again was  $\frac{1}{4}\%$ .

The pound again recorded strong gains against the EMS currencies, rising  $\frac{3}{4}\%$  in Germany (3.71 $\frac{3}{4}$ ) and France (11.13 $\frac{1}{2}$ ) but it was almost unchanged in Switzerland (3.12 $\frac{1}{2}$ ). As yesterday, the deutschemark remained in a narrow range around 2.42, ending slightly weaker on the day at 2.4221. The deutschemark was also bottom of EMS and received widespread support amounting to \$170mn. in total (of which \$65mn. was in Denmark, \$62mn. in Belgium, \$24mn. in France, \$4mn. in Ireland and the balance in Germany). The guilder (2.7290) needed assistance of only \$20mn. today, of which \$15mn. was from the Netherlands and the balance from Denmark, where the Danish crown (8.59) again closed top of EMS. The French franc closed at 7.2620. The Italians continued to replenish reserves, buying a further \$169mn. today. In contrast to EMS currencies, the Swiss franc (2.0385), was firm following the increase in deposit rates, and the yen (237.60) edged higher.

Gold strengthened in New York last night but traded very narrowly in London today. Fixings were at \$433.25 and \$432.75.

Operations: Market + \$19mn.

12th April 1983.

TRS

US BOND AND MONEY MARKETS

Tuesday, 12th April 1983

Federal Funds

Opening: 8½%  
Range: 8¼% - 8⅝%  
Close: 8⅜%

US Governments

(NY close)

2-year: 100¼ (-¼) 9 9/16%  
5-year: 99½ (-) 10%  
10-year: 102¼ (-¼) 10¾%  
30-year: 99¼ (-¼) 10½%

Euro-dollars

(Today's London opening-  
middle rates)

7-day: 9 1/16%  
1-month: 9¼%  
3-months: 9½%  
6-months: 9¾%

Federal Reserve Operations

Bought Treasury Bills with Fed  
Funds at 8½%.

3-month Treasury Bills 8¼%  
3-month US bank CDs 8 9/16%  
Differential 7/16%

Indicators

Retail Sales +0.3% in March (February revised from -0.4% to  
-1.2%)

Comment:

After showing small gains during the morning, the market  
drifted lower during the afternoon despite the Bill pass and weaker-  
than-expected retail sales.

13th April 1983.

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