

FE 2/2 APR 83

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 20th April 1983

Encouraged by the hardening of interest rates in American markets last night, the dollar began to move upwards again today but it was turned back from its best levels by the effect of heavy support for the deutschemark. Sterling had slipped back in New York overnight but then paralleled the dollar, rising towards midday but easing back on forward selling by the same commercial operator as yesterday. The ERI opened and closed 0.2 lower at 83.6, after touching 83.9 at noon.

Having eased to 1.5505 in New York on little actual business, the pound opened at 1.5508 in London this morning. It rose steadily but slowly to 1.5570 on modest oil company demand and then declined as the forward selling permeated through, touching 1.55 before closing at 1.5510. Three-months' Euro-dollars edged up to 9¼%; the cost of forward cover was 15/16%.

By the close, sterling was little changed in Europe: 3.81¾ in Germany, 11.43½ in France and 3.20¾ in Switzerland. The dollar crept up about a net ¼%. Having reached 2.4653 against the deutschemark, it closed at 2.4587. A total equivalent to \$534mn. was spent to maintain the 2¼% band in EMS by supporting the German currency: \$31mn. in Belgium, \$334mn. in France, \$50mn. in Denmark, \$6mn. in Ireland and \$113mn. in Germany itself. Additionally, the Italians bought \$96mn. The French franc, having reached another low of 7.3895, closed at 7.3735, 2¼% above the deutschemark. The Swiss franc eased to 2.0680. The yen moved marginally firmer to 237.33.

Gold suffered from sharp downward movement in silver late yesterday in North American markets and failed to rally today. In quiet conditions the fixings were at \$434 and \$433.75.

Operations:	Market	+	\$9mn.
	BIS	+	21
	Sundries	+	6
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		+	\$36mn.
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20th April 1983.

DAHB

DAHB

US BOND AND MONEY MARKETS

Wednesday, 20th April 1983

Federal Funds

Opening: 8½%
Range: 8¾% - 8⅝%
Close: 8⅝%

US Governments

(NY close)

2-year: 100½ (+¼) 9½%
5-year: 99¾ (+¼) 10%
10-year: 103 (+¼) 10¾%
30-year: 99½ (-) 10½%

Euro-dollars

(Today's London opening-
middle rates)

7-day: 9 1/16%
1-month: 9 1/16%
3-months: 9 3/16%
6-months: 9 5/16%

Federal Reserve Operations

\$1bn. customer repurchase agreement
with Fed Funds at 8½%. Stop rate
8.63%.

3-month Treasury Bills 8½%
3-month US bank CDs 8 9/16%
Differential 7/16%

Indicators

GNP +3.1% a.r. first quarter (earlier "flash" estimate 4%)
GNP deflator +5.8% first quarter

Comment:

After a quiet morning session, during which prices drifted down by ¼, the market moved higher on expectations, subsequently confirmed, that the 2-year auction had gone well.

The new \$7¼bn. 2-year was auctioned at an average yield of 9.61%.

21st April 1983.

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