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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 21st April 1983

A late recovery in the US bond market yesterday gave US interest rates and the dollar a generally easier tone during an uneventful day's trading today. Sterling, perhaps affected by the industrial problems at BL, failed to benefit from the dollar's weakness and the selling of the past two days continued. The ERI ended 0.5 lower at 83.1.

Selling in New York last night took the pound to a low of 1.5410 but it had recovered by the close to 1.5487. This morning the rate opened at 1.5489 and, after touching 1.5494, fell back slightly throughout the morning under the weight of some moderate official sales from Europe. At the low sterling traded at 1.5420 but it later moved a little higher in a very quiet market to close at 1.5442. Three-month Euro-dollars were 1/16% easier at 9 3/16% and the cost of cover reverted to 1%.

The pound was sharply lower in Europe, closing 3/4% down in Germany (3.78 3/4), France (11.35 3/4) and Switzerland (3.18 3/4). The dollar lost yesterday's modest gains and it closed at Tuesday's level in Frankfurt (2.4527). Support for the deutschemark today amounted only to \$52mn., all from the Bundesbank, and it remained at the bottom of EMS, 2 1/4% below the French franc (7.3540), the strongest currency. The Swiss franc improved modestly to 2.0620 and the yen, in strong demand from a Far East central bank, to 236.27.

Gold rallied on short covering in New York last night but again traded in a narrow range in London today. Fixings were at \$440.50 and \$439.50.

Operations:	Market	+	\$6mn.
	Government	-	30
	Sundries	+	5
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		-	\$19mn.
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21st April 1983.

TRS

US BOND AND MONEY MARKETS

Thursday, 21st April 1983

Federal Funds

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

US Governments

(NY close)

2-year: 99 $\frac{3}{4}$ (- $\frac{1}{4}$) 9 $\frac{5}{8}$ %
5-year: 99 $\frac{1}{8}$ (- $\frac{1}{4}$) 10 1/16%
10-year: 102 $\frac{1}{2}$ (- $\frac{1}{2}$) 10 $\frac{1}{2}$ %
30-year: 98 $\frac{1}{2}$ (- $\frac{5}{8}$) 10 9/16%

Euro-dollars

(Today's London opening-
middle rates)

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

Federal Reserve Operations

Bought \$50mn. net Treasury Bills
for customers.

3-month Treasury Bills 8 $\frac{1}{4}$ %
3-month US bank CDs 8 9/16%
Differential 7/16%

Indicators

Durable goods +0.3% (against -3.5% in February)

Comment:

The market drifted lower through the day on a lack of investor interest.

22nd April 1983.

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