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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSFriday, 22nd April 1983

Fears in Europe of concerted central bank intervention to drive the dollar lower on the exchanges, together with another encouraging inflation figure from the US (consumer prices +0.1% in March), caused the dollar to ease a little further today. As yesterday, however, activity was very light and markets were thin. Sterling saw little business. The ERI closed 0.1 higher at 83.2.

The pound closed a quiet evening in New York yesterday at 1.5452. Having opened at 1.5455 this morning and touched 1.5446 in early business, the rate moved up for the first part of the morning and the dollar eased on rumours in Europe of Fed intervention. By mid-morning the rate had reached 1.55 but at the higher levels an oil company sold sterling in modest size against deutschemarks and the pound relapsed to 1.5469 at noon. The afternoon was very quiet and the rate closed at 1.5481. Three-month Euro-dollars closed again at 9 3/16% and the cost of cover remained at 1%.

The pound was unchanged in Europe, closing at 3.78½ in Germany, 11.35½ in France and 3.18½ in Switzerland. The dollar ended almost ¼% lower in most centres, closing at 2.4455 in Frankfurt. The deutschemark was again the weakest currency in EMS, receiving support of \$114mn. (\$29mn. from France, \$15mn. from Ireland, \$10mn. from Belgium and the balance from Germany itself) and ending 2¼% below the French franc (7.3325) at the top. The Italians bought \$27mn. The Swiss franc closed at 2.0582 and the yen at 236.52.

Gold was a very quiet market. The fixings were at \$436.25 and \$437.

Operations:	Market	+	\$3mn.
	BIS	+	23
	Iran	+	20
	Sundries	+	5
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		+	\$51mn.
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	Overnight	+	\$3mn.
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22nd April 1983.

TRS

US BOND AND MONEY MARKETS

Friday, 22nd April 1983

Federal Funds

Opening: 8½%
Range: 8⅞% - 8½%
Close: 8⅞%

US Governments

(NY close)

2-year: 100 (+¼) 9½%
5-year: 99⅞ (+½) 10%
10-year: 103¼ (+¼) 10⅜%
30-year: 99¼ (+¼) 10 7/16%

Euro-dollars

(Today's London opening-
middle rates)

7-day: 8 15/16%
1-month: 9%
3-months: 9⅞%
6-months: 9¼%

Federal Reserve Operations

Bought \$225mn. Treasury Bills for
customers.

3-month Treasury Bills 8⅞%
3-month US bank CDs 8 9/16%
Differential 7/16%

Indicators

M1 down \$3.1bn.

Consumer Price Index +0.1% (after -0.2% in February)

Comment:

The market began to move higher when the Fed Funds rate began to ease in mid-afternoon, and rose further following the surprisingly good M1 announcement.

25th April 1983.

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