

FE 2/24 Pt 2

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 26th April 1983

The absence of any follow-through in the US bond market after Friday's good money supply figures meant that yesterday's weakness in the dollar proved very temporary. Today, from a firm opening, it moved steadily higher with the deutschemark, which received large scale support in EMS, and the yen bearing the brunt of the pressure. Sterling strengthened further today on oil price considerations, with Yamani reported as seeing the current level of prices holding until 1985. The ERI rose 0.6 to 84.6, the highest level since Christmas.

Although the dollar strengthened in New York last night, sterling closed there unchanged from London at 1.5660. The pound was in good demand in the Far East this morning, opening in London at 1.5695 and quickly moving above 1.57 in active two-way commercial trading. Heavy demand for sterling against deutschemarks was seen from Eastern Europe and the pound reached 1.5735 in mid-morning at best. However, some selling from France was encountered at the higher levels and the rate settled back to 1.5684 at the low as the dollar then moved up steadily in Europe. As yesterday, New York were good buyers of sterling and although the dollar continued to rise at this stage, particularly against the yen, the pound held steady, to close at 1.5717. Three-month Euro-dollars were unchanged at 9 1/16% and the cost of cover reverted to 1%.

The pound made further strides in Europe, again closing 1/8% higher in Germany (3.85 1/2), France (11.56) and Switzerland (3.23 3/4). The dollar ended 1/2% higher in Frankfurt, at 2.4527, after support of \$605mn. for the deutschemark (\$340mn. from France, \$31mn. from Belgium, \$8mn. from Ireland and the balance from Germany itself). The punt narrowly replaced the French franc (7.3550) as the strongest currency in EMS. The Italians bought \$80mn. The Swiss franc fell back with the deutschemark, to close at 2.0602, but the yen fell 1% as long positions were cut; it closed at 237.82.

Gold weakened in New York last night and, as on most days recently, remained in a narrow range in London. Good two-way business was, however, reported. The fixings were at \$435.25 and \$435.50.

Operations:	Market	+	\$36mn.
	Sundries	+	4
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		+	\$40mn.
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26th April 1983.

TRS

US BOND AND MONEY MARKETS

Tuesday, 26th April 1983

Federal Funds

Opening: $8\frac{3}{8}\%$
Range: $8\frac{1}{4}\%$ - $8\frac{1}{2}\%$
Close: $8\frac{1}{2}\%$

US Governments

(NY close)

2-year: 100 ($+\frac{1}{8}$) $9\frac{1}{2}\%$
5-year: 99 $\frac{1}{2}$ (-) 10%
10-year: 103 ($+\frac{1}{8}$) $10\frac{3}{8}\%$
30-year: 99 $\frac{1}{8}$ ($+\frac{1}{4}$) $10\frac{1}{2}\%$

Euro-dollars

(Today's London opening-
middle rates)

7-day: $8\frac{7}{8}\%$
1-month: 8 $15/16\%$
3-months: 9 $1/16\%$
6-months: 9 $3/16\%$

Federal Reserve Operations

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

Indicators

Comment:

In quiet conditions, the market traded throughout the day in a narrow range around the previous night's closing level.

OP

27th April 1983