



10 DOWNING STREET

Prime Minister *ms*

The figure from
1 July would be over
£2.3 bn.

U
B I think you might like
to change at your next
bi-lateral.

(We've noticed this,
but how many do we
miss?)

DBW
23/10.

SECRET

36

Foreign Exchange Markets: Evening Report

date: 23 October 1986

Previous close		Today		% change \$ / currency since Plaza
		opening	close	
67.6	£ ERI	67.7	67.5	-17.7
1.4335	\$/£	1.4330	1.4232	+3.6
2.9441	DM/£	2.9458	2.9381	-27.3
222.91	Yen/£	224.10	224.76	
1.3655	ECU/£	1.3671	1.3643	
109.2	\$/ERI	-	109.9	-21.3
1.9940	DM/\$	1.9880	1.9942	+42.4
155.50	Yen/\$	156.33	157.93	+51.1
1 1/4	3 month interest rates			
6	UK interbank £	1 1/4	1 3/8	
4 9/16	Eurodollars	6	6	
	Euromark	4 9/16	4 9/16	

Brent oil prices Nov \$ 14.20 Dec \$ 14.75 Jan \$ 14.95 Nov \$ 14.10 Dec \$ 14.55 Jan \$ 14.75

Market Comment

Sterling fell after worse than expected September trade figures were released at 11.30, breaching successive key chart points against the dollar. The dollar firmed throughout the day, particularly against the yen as Japanese investors were attracted to the latest US bond auction. Three US economic statistics released today were much as expected but there was a strong durable goods figure which supported the dollar.

Since the close the dollar has strengthened further against the DM and yen; sterling is steady and therefore gaining on the DM. Rates at 5.40:

\$1 42.25 DM2.8470 DM/\$2.0 ¥/\$158.50

at 1945 1.4235 DM 2.8535

John Fultz

UK reserves transactions (\$ million)

(a)	Today	This month so far	Total since 1 April '86	(b)	Estimated end-month position
	-17	-549	+470	Market intervention	-831
	-39	-460	-1919	Off-market transactions	-549
	-56	-1009	-1449	Total	-1380
				Net borrowing	+325
				Valuation changes (EMCF)	-92
				Total change in reserves	-1147
(a) Spot and forward transactions on a done date basis				Change in the forward book	-
(b) Spot transactions only on a value date basis, as in published figures					

Other countries market intervention (\$ million equivalent)

Germany —	US —	Denmark —
France —	Japan —	Holland —
Italy +36 \$	Ireland -28 (DM)	Belgium —

Hong Kong	Previous 21/10/86	Today	Change
Hong Kong dollar	7-8030	7.8030	unchanged
Hang Seng Index	2225.08	2254.79	up 30 points
Overnight interbank rate	3%	3 1/4%	up 1/4%

Note 22/10 was a holiday.

DOMESTIC MARKETS: CLOSING REPORT FOR:

Thursday 23rd October, 1986

MONEY MARKETS

Interest rates	O'night	7 days	1 month	3 months	12 months
£ Interbank	11 1/2 (	10 7/8 (-)	11 1/8 (-)	11 3/8 (+ 3/32)	11 7/16 (+ 5/16)
Euro \$	(	5 15/16 (- 1/16)	6 (-)	6 (-)	6 3/16 (-)
Differential	(	4 3/16 (+ 1/16)	5 1/8 (-)	5 3/8 (+ 3/32)	5 1/4 (+ 5/16)

Bills (discount rates) (days)	Band 1 (0-14)	Band 2 (15-31)	Band 3 (32-63)	Band 4 (64-91)
Eligible bank bills	10 5/16 - 13/16 (- 1/16)	10 5/8 - 1 7/8 (-)	10 7/8 - 3/4 (-)	10 7/8 - 3/4 (+ 1/16)
3 month Treasury bills	10 7/8 (+ 1/4)			3 month Local Authority bills 11 1/4 (+ 1/8)

Bank money market operations (£M)

Bills:	Band 1	Band 2	Band 3	Band 4
Dealing rates	10 7/8	10 3/16	10 3/4	10 11/16
Official Purchases (+)	+ 20	+ 250	+ 109	+ 223
Total bills	£ 602 m	bought/sold		
Repurchase	£ — m	unwinding on	at	
Lending	£ 40 m			
Total operations	£ 642 m	against shortage/surplus	£ 700 m	

STOCK MARKET

FT Ind-ord 1249.9 (-12.5) FTSE 100 1572.5 (-17.1) FT Govt Securities 82.56 (-0.34)

Gilt Edged Market

Authorities bought/sold £ 5.5 m (net)

(Change from opening)	Price £	Yield
Shorts	- 7/16	+ 0.12
Mediums	- 1/2	+ 0.09
Longs	- 11/16	+ 0.10

Gilt Futures DEC Long Contract Open 110.24 Close 109.14 Volume 18447
 Gilt Futures DEC Short Contract Open 96.43 Close 96.00 Volume 44

FOREIGN EXCHANGE

£ Effective 67.5 (-0.1)
 \$/£ rate 1.4232 (-0.0103)
 DM/£ rate 2.8381 (-0.0060)

US RATES

3 month CD's 5.80 (-0.05)
 10 yr Tsy Bond 7.49 (-0.05)
 20 yr Tsy Bond 8.08 (-0.07)

Gilts opened firmer with shorts up 1/16, mediums 1/8 and longs 1/4. Prices made early progress but the trade figures were well below the market's expectations and prices fell back and at the close shorts were down 3/8, mediums 7/8 - 1/2 and longs 3/4. There was little change in index-linked. After a cautious start, equities lost further ground on September trade figures (deficit of £877m) and the subsequent fall in sterling.

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GILT-EDGED MARKET : DETAIL

Transactions basis, cash values (£ million); sales + purchases - *end September and calendar October.*

ISSUE DEPARTMENT: MARKET TRANSACTIONS

Today

1. Gross sales shorts
2. " " mediums
3. " " longs and undated
4. Calls on part-paid Stock sold earlier
5. Buying in, other than next maturities
6. CRND: Market transactions
7. Total 'gross' sales
8. Buying in of next maturities
9. Redemptions
10. Total transactions with market

+ 2.6	+ 889.6
+ 108.2	+ 1619.4
+ 2.3	+ 939.9
-	-
- 107.2	- 1742.4
- 0.6	- 18.8
+ 5.3	+ 1687.7
- 0.2	- 213.3
-	- 1.9
+ 5.5	+ 1472.5

PRICES/YIELDS OF GILT-EDGED STOCKS

Par yield curve at close last night
at previous close

5 years	10 years	20 years
10.936	10.951	10.588
11.038	11.049	10.675.

Representative Stocks
(change from yesterday's close)

- 11% Exchequer 1991
- 9¾% Exchequer 1998
- 11¾% Treasury 2003/07
- 2% Index-linked 1988
- 2½% Index-linked 2011

	Price	Yield
99 20/32 (- 12/32)	11.10	(+0.10)
92 12/32 (- 10/32)	10.93	(+0.05)
107 18/32 (- 20/32)	10.81	(+0.08)
122 2/32 (- 2/32)	4.71	(+0.05)
101 30/32 (+ 6/32)	3.77	(-0.01)

TAP STOCKS AND RECENT ISSUES

3% Treasury 1991.

Price	Yield	Issue dept
79 12/32 (- 12/32)	8.57	(+0.12) 287.

Certificates of Tax Deposit: Purchases
" " " : Surrenders

Rates on surrender for tax
< 1 1<3 3<6 6<9 9-12 mnth
" " " " "

KNOWN FUTURE GILT-EDGED TRANSACTIONS

Part Payments (+)	Redemptions/expected buy-ins (-)
Banking _____	_____
Banking _____	_____
Banking _____	_____

Sales required to meet 'Gross' sales Target for *end September (2500) and calendar October*
£m 812