

FE 2/2.4.

SECRET

Nyd.	1.7890	91.0
Open	1.7790	90.4
London	1.7705	
New	1.7755	90.5

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 2nd April 1982

Low of Dm 4.26
 New Dm 4.27 1/2

Despite the surprising stickiness of Federal Funds and continued pressures and intervention within EMS, the dollar remained on a gently easier tack. Sterling was again quiet and suffered no immediate after-effects from the announcements of a large reduction in the reserves and a swing from surplus to deficit in the trade account. The ERI rose from 90.9 to 91.0.

Net - \$25 m

The pound was traded up to 1.7910 in New York yesterday before relapsing to close there at 1.7860. This morning sterling opened at 1.7863 and gradually advanced to 1.7925 before settling around 1.79. This afternoon some recovery in the dollar following an artificially high Federal Funds rate (16 1/2%) brought the pound back to 1.7880 as the trade figures were announced. In the immediate aftermath business took place at 1.7865 but the pound recovered quickly to close at 1.7877. Three-month Euro-dollars gained 1/8% (15 7/16%), comparable sterling deposits lost 1/8% (13 3/8%). The forward premium widened by 5/16% to 2 1/16% p.a. and interest parity prevailed.

The pound gained a fraction in Germany (4.29%), added 1/8% in France (11.17%) and 3/8% in Switzerland (3.47%). The Swiss franc, after holding up for much of the day, eased to close at 1.9430 (0.80 15/16 to the deutschemark). The Swiss swapped in \$100mn. The deutschemark was little changed at 2.4005 and closed slightly less than 2% above the Belgian franc (45.27). The Belgians sold \$73mn., \$30mn.-worth of deutschemarks and \$10mn.-worth of Swiss francs. The French sold deutschemarks worth \$155mn. The Danes spent \$168mn., the Italians \$96mn., the Irish \$41mn. and the Swedes \$29mn. The yen eased, unsupported, to 246.98.

Gold was steady at yesterday's levels. Fixings were \$326.60 and \$327.75.

Operations:	Market	+	\$2mn.
	Sundries	+	5

		+	\$7mn.
			=====

328

335 gold

JGH
 2nd April 1982.
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US BOND AND MONEY MARKETS

Friday, 2nd April 1982

Federal Funds

Opening: 16 $\frac{1}{4}$ %
Range: 14 $\frac{3}{8}$ % - 16 $\frac{3}{8}$ %
Close: 14 $\frac{3}{8}$ %

US Governments (NY closing bids)

2-year: 99 9/16 (+1/16) 14 $\frac{3}{8}$ %
5-year: 99 $\frac{3}{8}$ (+ $\frac{1}{8}$) 14 3/16%
10-year: 102 $\frac{1}{4}$ (+ $\frac{1}{8}$) 14 1/16%
30-year: 102 $\frac{7}{8}$ (+ $\frac{1}{8}$) 13 $\frac{5}{8}$ %

Euro-dollars (Today's opening
London bid)

7-day: 15 $\frac{1}{2}$ %
1-month: 15 $\frac{3}{8}$ %
3-months: 15 $\frac{3}{8}$ %
6-months: 15 $\frac{3}{8}$ %

Federal Reserve Operations:

System repurchase agreements over
the weekend with Federal Funds
at 16 $\frac{1}{8}$ %. Stop rate 15.90%.

Indicators

Unemployment 9.0% (February 8.8%)
M1 -\$3.0bn.

Comment:

The market opened uncertainly, ignoring the rise in unemployment, but concerned at the unusually high level of Federal Funds. (This was due to a technical shortage.) The Fed's assistance brought some small improvement in prices. The decline in money was at the upper end of the range of expectations. Prices were marked up but light professional selling erased most of the gains by the close.

5th April 1982.

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