

FE 2/20 4

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 14th April 1982

Until very late in the day, all was quiet and uneventful on the exchanges. With no news from the South Atlantic to disturb the calm, sterling saw some good demand during the morning and gained a little ground against a slightly firmer dollar. The ERI rose 0.2 to 90.2.

The IMM were good sellers of dollars last night and sterling rose to touch 1.7775 in New York before closing there at 1.7705. This morning the pound opened at 1.7660 and traded in a narrow range either side of the opening rate, touching 1.7686 at best during the morning on the back of some buying from Eastern Europe. The higher levels, however, attracted some profit-taking and the rate fell back to 1.7637 before settling around 1.76½. The afternoon was quiet and the rate closed at 1.7656. After the close heavy selling of sterling commenced when a rumour swept the market that an Argentine warship had been sunk. In active trading the rate fell quickly to 1.7537 but then steadied with the help of some official support. Three-month Euro-dollars were 3/16% higher over the day at 15½%. The forward premium widened to 1½% and the covered differential narrowed to ½% in favour of London.

Sterling was ¼% firmer against both the deutschemark (4.26½) and the French franc (11.09) but fell ½% against a stronger Swiss franc (3.45½). The dollar was a touch firmer in Frankfurt (2.4158), but a little easier in both Paris (6.2815) and Zurich (1.9575). EMS widened to 2 3/16%, the Belgian franc (45.64) remaining at the bottom of the band and the deutschemark at the top. There was little intervention: the Italians sold \$95mn. and the Danes bought \$17mn. Elsewhere, the Swedes sold \$23mn., and the Norwegians bought \$27mn. forward. The yen eased to 247.05.

Gold was again an active market. The price improved further as rising tension in the Middle East added to the uncertainty on the international front caused by the Falklands issue. Fixings were at \$364.75 and \$366.75 and the price was later quoted up to \$368.

Operations:	Market	-	\$45mn.
	EEC	-	53
	India	+	18
	BIS	+	9
	Iraq	+	9
	Government	+	6
	Sundries	+	10
			<hr/>
		-	\$46mn.
			<hr/> <hr/>

14th April 1982.

TRS

US BOND AND MONEY MARKETS

Wednesday, 14th April 1982

Federal Funds

Opening: 15 $\frac{3}{4}$ %
Range: 15 $\frac{3}{4}$ % - 16 $\frac{1}{2}$ %
Close: 16 $\frac{1}{4}$ %

US Governments (NY closing bids)

2-year: 99 $\frac{5}{8}$ (- $\frac{1}{4}$) 14 5/16%
5-year: 99 $\frac{7}{8}$ (- $\frac{1}{8}$) 14%
10-year: 103 $\frac{5}{8}$ (- $\frac{1}{8}$) 13 15/16%
30-year: 104 $\frac{1}{2}$ (- $\frac{1}{4}$) 13 $\frac{3}{8}$ %

Euro-dollars (Today's opening
London bid)

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

Federal Reserve Operations:

Fed bought Treasury Bills for system
account with Fed Funds at 16 $\frac{1}{4}$ %.

Indicators

Comment:

The market opened lower with Funds briefly at 15 $\frac{3}{4}$ % before moving to 16%. In light trading prices moved narrowly around their opening levels waiting for the Fed to supply permanent reserves in the form of a coupon or bill pass. When the Fed finally appeared to buy Treasury Bills, the market only moved lower but recovered a little towards the end of the day.

A new \$5.25bn. two-year note will be auctioned on 21st April.

15th April 1982.

TRS