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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 4th June 1982

The dollar eased a little further today. Sterling was little traded and not much changed. The market's focus was very much centred on Paris. Over \$1bn. of official support was given to EMS currencies, with the French franc far the largest recipient. Sterling's ERI slipped from 90.7 to 90.6.

The pound closed barely changed at 1.7945 in New York yesterday. This morning it opened at 1.7935; dipped to 1.7917, then settled around 1.7950 for the rest of the day, touching 1.7983 at best this afternoon before closing at 1.7955. Unlike yesterday, the pound for the most part mirrored the dollar. Three-month Euro-dollars gained 1/16% (14 11/16%), the sterling deposit shed 1/8% (12 7/8%). The forward premium widened by 1/8% to 1 15/16% p.a. so that sterling's intrinsic premium rose slightly.

The pound lost 1/8% in Germany (4.23 3/8) and 1/8% in Paris (11.03 3/8) but was hardly changed in Zurich (3.62 7/8). The deutschemark improved a little to 2.3578 against the dollar, the Swiss franc was only a shade firmer at 2.0210, falling to 0.85 3/8 on the deutschemark, as the Swiss swapped in \$527mn. They also bought yen worth \$20mn. The French franc improved to 6.1475 (after 6.19) but was later 6.1625. Against the deutschemark, it opened at 2.6150 (the authorities preferred support level being 2.61) and was pushed back to 2.61 by the swift official sale of \$100mn. Thereafter the Bank of France struggled to keep the rate around 2.6125 and succeeded in establishing a closing rate of 2.6075. The effort cost them \$748mn. and \$18mn.-worth of deutschemarks. EMS closed 2 1/8% in width between the deutschemark and Belgian franc (44.51) but was fully-stretched for much of the day. The Belgians spent \$27mn., \$45mn.-worth of deutschemarks, \$8mn.-worth of guilders and \$2mn.-worth of Swiss francs. The Bundesbank bought \$8mn.-worth of Belgian francs. The lira (1308 3/8) finished 2 3/8% from the deutschemark. The Italians sold \$187mn. The Irish lost \$22mn. The Danes, too, suffered pressure, but took it on the rate. The Japanese spent \$51mn. in Tokyo this morning. The yen weakened, against the general trend, to 243.82.

Gold was sold down to \$315 in New York yesterday but once more recovered from that level today as short-covering set in. Fixings were \$318.50 and \$318.75 and the metal traded on to \$320 in New York before selling of silver brought gold back to \$318.

Operations:	Market	-	\$1mn.
	Ghana	-	20
	Zimbabwe	+	5
	Sundries	+	10
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		-	\$6mn.
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US BOND AND MONEY MARKETS

Friday, 4th June 1982

Federal Funds

Opening: 13½%
Range: 13¾% - 13½%
Close: 13½%

US Governments (NY closing bids)

2-year: 99¼ (-) 13 15/16%
5-year: 99¼ (+¼) 13 15/16%
10-year: 99¼ (-¼) 13¾%
30-year: 102¼ (-½) 13 11/16%

Euro-dollars (Today's opening
London bid)

7-day: 14 3/16%
1-month: 14 9/16%
3-months: 14¾%
6-months: 14¾%

Federal Reserve Operations:

Sold \$300mn. Treasury Bills for a customer.

Indicators

Unemployment in May +0.1 to 9.5%.
M1 +\$0.1bn.

Comment:

Another very quiet day's trading in New York. The unemployment figure, although another post-war high, was not sufficiently dramatic to shake the market out of its lethargy and Funds were steady most of the morning at 13½%. The absence of the Fed on its own account was mildly disappointing and prices drifted lower in the afternoon, awaiting money supply. Money was exactly in line with expectations and the market bounced off its lows in very thin trading, to recover some of the losses on the day.

7th June 1982.

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