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SECRET

1.74
ER 91.9
4.2750

\$ 314

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 29th June 1982

As dealing commenced for July, some of the seasonal pressures eased from Euro-dollar rates and the dollar weakened in all centres. Markets nevertheless remained very quiet and activity was again light. Sterling was steady and the ERI closed unchanged at 91.1.

News last night of the collapse of the rail strike sparked off some demand for sterling in New York and the rate rose to touch 1.7320 before closing at 1.7280. Today the pound opened at 1.7257 and traded narrowly around this level throughout the morning. Despite some modest professional selling from Germany, the rate started to rise towards noon, reaching 1.7305 over the lunch period. However the higher levels attracted a little selling from New York during the afternoon and the rate fell briefly to 1.7239 before recovering to 1.7295 by the close. Three-month Euro-dollars fell by 7/16% to 16 1/2% and sterling's forward premium narrowed to 3 5/16%, taking the covered differential to 3/16% in favour of London.

Sterling was a shade easier in some places on the Continent, losing 1/4% in Germany (4.27) and France (11.87) but it was fractionally firmer in Switzerland (3.66 1/4). The dollar fell by around 1/4% in these centres closing at 2.4690, 6.8637 and 2.1182 respectively. EMS closed unchanged between the guilder (2.7347) at the bottom, 2 1/2% below the French franc at the top and 2 13/16% from the lira (1391). The French recouped a further \$103mn.-worth of deutschemarks, the Italians bought \$52mn. and the Irish bought \$12mn. Elsewhere, the Norwegians bought \$78mn. and the Swedes sold \$40mn. There was no intervention today by the Bank of Japan and the yen closed at 255.80.

With interest rates easing, gold moved a little higher, fixing at \$310.75 and \$309. Later the price was quoted up to \$314 as the silver price rallied.

Operations:	PSB:		
	Electricity	+ \$24	
	B.Rail	+ 24	+ \$48mn. for June
	BIS		+ 9
	India		+ 9
	IDA		+ 6
	Sundries		+ 2
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			+ \$74mn.
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	Overnight		+ \$5mn.
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29th June 1982.

TRS

US BOND AND MONEY MARKETS

Tuesday, 29th June 1982

Federal Funds

Opening: 15%
Range: 12% - 15½%
Close: 12%

US Governments (NY closing bids)

2-year: 99½ (+¾) 14½%
5-year: 96¾ (+13/16) 14½%
10-year: 965/16 (+1 1/16) 14½%
30-year: 100 (+1½) 14%

Euro-dollars (Today's opening
London bid)

7-day: 15¼%
1-month: 15 7/16%
3-months: 15¾%
6-months: 16%

Federal Reserve Operations:

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

Indicators

Comment:

The market got off to a slow start with little to no activity as participants nervously approached the auction of the 4-year notes. At that stage it seemed likely that the new issue would have to come with a yield of at least 15%. In the early afternoon, with the Fed Funds rate falling, coupled with a more optimistic view of the auction, the market improved. Following the release of the auction results and confirmation of the relatively strong sale, the market improved further with prices at the longer end over one point higher.

30th June 1982.

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