

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 23rd August 1982

The dollar began the week on firmer footing as American interest rates edged up after the Fed. had refrained both from increasing liquidity and reducing its cost last Friday. Sterling was more sure-footed, thanks to good Middle East buying this morning, and the ERI improved to 91.6.

The small change in US M1 (-\$100mn.) was close to average expectations and did not affect the dollar late on Friday. Sterling drifted to 1.7360 (4.26) but opened a little firmer this morning in London, at 1.7385. Before the Middle East buying began the rate had eased to 1.7367 but it soon rose to 1.7402. This afternoon, 1.7430 was touched before the close, in less active conditions, at 1.7408. Later, however, as the dollar began to weaken again, the pound rose to 1.7465. Three-months Eurodollars, which had opened unchanged, had hardened to 10 7/16% by the close whilst interbank sterling rose to 10 1/4%; sterling's forward discount narrowed to 3/16% pa.

The pound moved ahead to 4.28 1/2 in Germany and to 11.97 1/2 in France but was little changed in Switzerland (3.60 15/16). The dollar improved against the deutschemark, being around the closing level of 2.46 for most of the day; the Germans sold \$9mn. EMS moved a little wider - to 1 15/16% - between the German and Irish (1.4005) currencies. The French franc had a more restful day, but weakened to 6.8775. The Italians bought \$14mn., the lira closing at 1386.80, and the Dutch took in deutschemarks worth \$10mn. The Swiss franc was steady at 2.0735 and the yen at 255.37.

Gold tumbled down in the Far East this morning to about \$378. It made a modest recovery to fix in London at \$381.75 but ran the gauntlet of a very difficult second fixing. After 75 minutes in session a price of \$394.50 was struck; \$396.50 was quoted soon afterwards.

Operations:	Market	+\$11mn.
	Iran	+ 8
	Sundries	+ 5
		<u>+\$24mn.</u>

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23rd August 1982.  
DAHB

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US BOND AND MONEY MARKETS

MONDAY, 23RD AUGUST 1982

Federal Funds

Opening: 8 $\frac{1}{4}$ %  
Range: 8 $\frac{1}{4}$ -9%  
Close: 8 $\frac{7}{8}$ %

US Governments (NY closing bids)

2-year: 102 3/4 (-5/16) 11 1/2%  
5-year: 105 5/8 (-3/8) 12 3/16%  
10-year: 107 5/16 (-3/8) 12 3/8%  
30-year: 113 3/4 (-1/4) 12 1/4%

Euro-dollars (Today's opening  
London bid)

7-day: 9 5/16%  
1-month: 9 3/4%  
3-months: 10 3/8%  
6-months: 11 3/8%

Federal Reserve Operations:

\$1bn. customer repos with Fed.  
Funds at 9%. Stop rate 7.30%.

US three-month Treasury Bills: 7 7/8%  
US bank three-month CDs: 9 5/8%

Indicators

Comment:

Similar to Friday: quiet and with profit-taking  
causing further small price declines.

24th August 1982.  
DAHB

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