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THE DEPUTY GOVERNOR

G+FE 11R

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 24th August 1982

Light selling pressure welled up again today to force the dollar lower, in spite of firm interest rates. More severe tremors affected the French franc, which was given substantial support. Gold erupted through \$400. The pound kept its distance but benefited when the latest trade figures cast some late sunshine after the final ERI had been published, up 0.2 to 91.8.

The New York market was uneventful last night, sterling closing there at 1.7515. It opened in London today at 1.7483, eased to 1.7457, but had recovered by noon to 1.7535. The dollar was continuing to look soft and sterling strengthened to 1.7563, after 1.7580. The trade figures caused a late reaction: in New York the pound rose another cent. Eurodollars moved generally more expensive, three-months' money closing at 10 9/16%, 3/16% below interbank sterling.

In Europe, by the close, the pound was firmer only in France (11.97 15/16); it had eased to 4.27 1/4 in Germany and to 3.60 1/4 in Switzerland, though improving in after-hours trading. The deutschemark moved slowly stronger, closing at 2.4330, but remaining weakest in EMS, some 1 1/2% below an easier punt (1.4130). It later moved on to 2.42. Its progress was probably held back by French intervention, which totalled \$58mn. and deutschemarks worth another \$309mn.: the franc improved to 6.8205 (though easing from about 2.79 1/2 to 2.80 1/2 against the deutschemark). The lira closed at 1373.50, after purchases of \$73mn.; it is now only about 2 3/8% above the deutschemark. The Dutch bought \$10mn. worth of German currency; the Danes sold \$7mn. The Swiss franc closed at 2.0512, the yen at 252.90.

Gold had another tempestuous day. It had breached \$400 in New York and the Far East but began quietly enough in London, just below \$399. Quotations were widened out and jumps of \$3 or \$4 were frequent, in each direction. The highest price seen was \$414 but the fixings were at \$411.50 and \$407.75. The weaker dollar and bear covering were cited as reasons for the strength.

Operations:	Market	+\$32mn.
	PSB Service	- 9
	Sundries	+ 1
		<u> </u>
		+\$24mn.
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24th August 1982.
DAHB

US BOND AND MONEY MARKETS

Tuesday, 24th August 1982

Federal Funds

Opening: 9%
Range: 8 $\frac{1}{2}$ %-9%
Close: 9%

US Governments (NY closing bids)

2-year: 102 $\frac{3}{4}$ (-) 11 1/2%
5-year: 105 $\frac{5}{8}$ (-) 12 3/16%
10-year: 107 $\frac{1}{2}$ (+7/16) 12 3/8%
30-year: 114 $\frac{1}{2}$ (+1) 12 1/8%

Euro-dollars (Today's opening
London bid)

7-day: 9 5/16%
1-month: 9 11/16%
3-months: 10 1/2%
6-months: 11 1/2%

Federal Reserve Operations:

\$1.5bn. customer repurchase
agreement with Fed.Funds at 9%.
Stop rate 7.05%.

US three-month Treasury bills: 7 $\frac{1}{2}$ %
US bank three-month CDs: 9 $\frac{1}{8}$ %

Indicators

US consumer prices +0.6% in July (June +1.0%)

Comment:

A quiet day saw the longer end up by around one point
by noon, and little further movement in prices during the afternoon.

25th August 1982.

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