

2/2 4

US BOND AND MONEY MARKETS

Wednesday, 15th September 1982

Federal Funds

Opening: 10 $\frac{1}{8}$ %
Range: 10 $\frac{1}{8}$ % - 11 $\frac{1}{8}$ %
Close: 11 $\frac{1}{8}$ %

US Governments (NY closing bids)

2-year: 99 $\frac{1}{8}$ (- $\frac{1}{8}$) 12%
5-year: 100 $\frac{1}{8}$ (- $\frac{1}{8}$) 12 $\frac{1}{8}$ %
10-year: 106 $\frac{1}{2}$ (- $\frac{1}{8}$) 12 $\frac{1}{8}$ %
30-year: 114 (- $\frac{1}{2}$) 12 $\frac{1}{8}$ %

Euro-dollars (Today's opening London bid)

7-day: 11%
1-month: 11 7/16%
3-months: 12 3/16%
6-months: 13

Federal Reserve Operations:

Overnight reverse repurchase agreement with Fed Funds at 10 $\frac{1}{8}$ %. Stop rate 10.68.
Bought \$275mn. Treasury Bills for a customer.

3-month Treasury Bills 8 $\frac{1}{8}$ %
3-month US bank CDs 11 $\frac{1}{8}$ %
Differential 2 $\frac{1}{8}$ %

Indicators

Industrial Production -0.5% in August

Comment:

The market moved up at the start, with the long bond gaining $\frac{1}{8}$. The smaller-than-expected decline in industrial production brought prices down $\frac{1}{8}$. The Fed's action was unexpected - draining liquidity in the same week in which they had earlier added liquidity - and prices immediately fell up to $\frac{1}{8}$. The market continued lower until late afternoon when it recovered slightly.

The new \$6.5bn. 2-year was auctioned at an average of 12.20% (after earlier in the day being traded on a "when-issued" basis at 11.75%).

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