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10 $\frac{3}{8}$ 328

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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 14th October 1982

The dollar firmed steadily throughout the day in quiet trading. Its strength was rather surprising following a strong performance by the US bond market yesterday but dealers seemed anxious to re-establish long dollar positions both because of lingering fears (despite Volcker's remarks last weekend) about the magnitude of the M1 figure to be released tomorrow and because of growing expectations of a weekend realignment in EMS. Sterling was less actively traded than on most days recently and the ERI closed unchanged at 92.8.

The pound closed at 1.7132 in New York last night and opened at 1.7138 in London today. Having touched 1.7141 in early business, when there was some demand for sterling on oil company account, the rate slowly slipped back as the dollar's advance began. As Euro-dollar rates recovered most of their overnight losses during the morning, the dollar moved inexorably higher and sterling drifted back to 1.7111 by noon. A high opening level for Fed Funds in New York confirmed the dollar's firmer tone throughout the afternoon and as it continued to gain ground in Europe, sterling eased back further in very light trading. The rate touched 1.7072 before closing at 1.7102 when the dollar moved back temporarily from its best levels. Three-month Euro-dollars closed 1/16% lower at 10 3/16% and sterling's forward premium was 3/8%.

The pound was firm on the Continent, closing at 4.29 3/4 in Germany, 12.15 in France and gaining 1/4% against a rather weak Swiss franc (3.66 3/4). The dollar gained 3/8% in Frankfurt and Paris to close at 2.5127 and 7.1080 and 1/2% in Zurich (2.1442). In EMS, the Danish crown (8.9450), which was rumoured to be devaluing by 5% this weekend, slipped to bottom place, 2 3/8% from the guilder (2.7435) and 2 1/2% from the lira (1430.37). There was, however, rather little intervention, with the Italians selling \$86mn. and the Danes \$45mn. while the Irish bought \$11mn. The Norwegian crown (7.2265) continued under pressure and the Norges Bank sold \$142mn., while the Swedes picked up a further \$67mn. The yen was again weak, closing at 267.22.

Gold rallied strongly in New York last night with good commission house buying and some Middle East demand. It was steady at \$448 at both fixings today but traded in rather nervous fashion in the latter part of the day, touching \$455 at one point.

Operations:	IMF	+	\$19mn.
	BIS	+	18
	Iran	+	14
	IDA	+	6
	Sundries	+	4
			<hr/>
		+	\$61mn.
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14th October 1982.

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US BOND AND MONEY MARKETS

Thursday, 14th October 1982

Federal Funds

Opening: $9\frac{1}{4}\%$
Range: $9\frac{1}{4}\%$ - $9\frac{5}{8}\%$
Close: $9\frac{1}{2}\%$

US Governments (NY closing bids)

2-year: $103\frac{7}{8}$ ($-\frac{3}{8}$) $9\frac{7}{8}\%$
5-year: $107\frac{1}{2}$ ($-\frac{3}{4}$) $10\frac{5}{8}\%$
10-year: $115\frac{1}{8}$ ($-1\frac{1}{8}$) $11\frac{1}{8}\%$
30-year: $127\frac{1}{8}$ ($-1\frac{3}{8}$) $10\frac{7}{8}\%$

Euro-dollars (Today's opening
London bid)

7-day: $9\frac{3}{4}\%$
1-month: 10%
3-months: $10\frac{1}{16}\%$
6-months: $10\frac{3}{16}\%$

Federal Reserve Operations:

Bought \$175mn. Treasury Bills for
a customer.

3-month Treasury Bills $7\frac{1}{4}\%$

3-month US bank CDs $9\frac{3}{8}\%$

Differential $1\frac{5}{8}\%$

Indicators

Comment:

During the morning the market traded within a $\frac{1}{2}$ point of the previous night's close. Lack of Fed action at noon, against expectations of a reserve addition, disappointed the market and prices drifted lower throughout the afternoon.

15th October 1982.

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