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THE DEPUTY GOVERNOR

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FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 26th October 1982

It was a steady but fairly active day on the exchanges. Profit-taking kept the dollar below yesterday's peak levels and another good inflation figure from the US (consumer prices rose 0.2% in September) reinforced the easier tone. Sterling was in some demand from Eastern Europe during the morning; the ERI rose 0.2 to 92.6. The good September trade figures seemed to have little impact.

Sterling rose to close in New York at 1.6840 last night, opened at 1.6845 in London today but touched 1.6823 in early business. Then as the dollar began to ease further in Europe during the morning with some sizeable profit-taking against deutschemarks and Swiss francs, sterling settled to trade quite actively around 1.68½. The rate reached 1.6874 at best shortly before noon when there was some buying from Eastern Europe. Although some modest official selling was seen during the afternoon, the rate remained steady at the higher levels, to close at 1.6862. Three-month Euro-dollars closed ½% firmer at 10 3/16% and sterling's forward premium was 7/8%.

The pound was steady in Europe, closing at 4.29½ in Germany, 3.69½ in Switzerland and 12.10½ in France. The dollar was about ½% lower in each of these centres at 2.5462, 2.1911 and 7.1862 respectively. EMS widened to 2 3/16% but remained between the Belgian franc (49.26) and the guilder (2.7644). The Belgians sold \$9mn., while the French bought \$50mn. and deutschemarks worth \$32mn. The yen was rather firmer closing at 275.85.

Gold was quiet and steady around yesterday's levels, fixing at \$416.50 and \$419.25.

Operations:	Market	+	\$5mn.
	IDA	+	6
	Ghana	-	12
	S.Africa	-	8
	Government	-	6
	Sundries	+	9
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		-	\$6mn.
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26th October 1982.

TRS

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US BOND AND MONEY MARKETS

Tuesday, 26th October 1982

Federal Funds

Opening: $9\frac{1}{8}\%$
Range: $9\frac{1}{8}\%$ - $9\frac{3}{8}\%$
Close: $9\frac{1}{8}\%$

US Governments (NY closing bids)

2-year: $99\frac{1}{8}$ ($+\frac{1}{4}$) $9\frac{15}{16}\%$
5-year: $107\frac{1}{8}$ ($+\frac{1}{4}$) $10\frac{1}{4}\%$
10-year: 114 ($+1\frac{1}{8}$) $11\frac{5}{16}\%$
30-year: $124\frac{1}{2}$ ($+1$) $11\frac{1}{8}\%$

Euro-dollars (Today's opening
London bid)

7-day: $9\frac{5}{8}\%$
1-month: $9\frac{3}{4}\%$
3-months: 10%
6-months: $10\frac{1}{4}\%$

Federal Reserve Operations:

\$700mn. customer repurchase
agreements with Fed Funds at $9\frac{3}{8}\%$.
Stop rate 9.15% .

3-month Treasury Bills $7\frac{15}{16}\%$

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

Differential $1\frac{7}{16}\%$

Indicators

Consumer prices $+0.2\%$ in September (c.f. $+0.3\%$ in August)

Comment:

The market opened firm following the release of the CPI and rose further in quiet trading during the morning. Although the Fed action was regarded as disappointing and prices surrendered much of their early gains, the market recovered during the afternoon as the Funds rate fell and hopes of a discount rate cut this Friday were resurrected. The market closed at its highs.

27th October 1982.

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