

2/27/84
G. P. 24
SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 11th November 1982

The anticipated peace of Armistice Day (a holiday in the US as well as some European centres) was shattered at the start of business by news of the death of President Brezhnev. The dollar, which had closed on a firm note in New York last night, soared in early business, again sending the European currencies to new recent lows. Following the initial panic reaction, the market quickly settled down and, again led by the yen, the dollar finished below its best levels elsewhere as well. Sterling touched another six-year low against the dollar in the morning but was steady in Europe. The ERI lost 0.1 to stand at 91.5.

As the dollar strengthened in New York last night sterling moved back to close there at 1.6580. This morning the rate opened at 1.6547 but soon fell back to a low of 1.6475 as the dollar surged when confirmation of Brezhnev's death came over the tapes. However, the dollar soon began to ease back elsewhere and sterling recovered to trade fairly actively around 1.65½ for most of the balance of the day. Some good demand on both professional and commercial account was seen during the morning but there was much less business during a quieter afternoon. The rate closed at 1.6555 having earlier touched 1.6575. Three-month Euro-dollars were 1/16% firmer at 9 13/16% and sterling's forward premium widened accordingly to 11/16%.

The pound was a little firmer in Europe, closing at 4.29 against the deutschemark, 3.69½ against the Swiss franc and 12.10½ against the French franc. The dollar gained ¼% in Europe, to close at DM 2.5910 (after 2.6050), SF 2.2317 and FF 7.3125. EMS widened to 2 3/16% between the Belgian franc (50.19) and the guilder (2.8165). The only sizeable intervention was by the Italians, who sold \$129mn. following the resignation of their government while the Germans sold \$10mn.; The Danes and Dutch bought deutschemarks worth \$8mn. and \$5mn. respectively. The Bank of Japan, unaware of Brezhnev's demise, spent \$146mn. in Tokyo holding the yen below 270; it weakened on the news to 271.20 in London but then, as earlier in the week, met heavy buying demand to end at 267.75.

Gold, which had relapsed to the \$400 level overnight in New York, spurted in the first hour of trading this morning to reach \$413 at best. By the morning fixing it had fallen to \$408 and the remainder of the gains were surrendered by the afternoon fixing at \$401.25.

Operations:	Market	+	\$17mn.
	Interest	+	31
	IDA	+	5
	Government	-	30
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		+	\$23mn.
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11th November 1982.

TRS

US BOND AND MONEY MARKETS

Thursday, 11th November 1982

Federal Funds

Opening:

Range:

Close:

US Governments (NY closing bids)

2-year:

5-year:

10-year:

30-year:

Euro-dollars (Today's opening
London bid)

7-day: 9 11/16%

1-month: 9 9/16%

3-months: 9 13/16%

6-months: 10%

Federal Reserve Operations:

3-month Treasury Bills 8½%

3-month US bank CDs 9%

Differential ¾%

Indicators

Comment:

Markets closed for Veterans' Day.

12th November 1982.

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