

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 24th November 1982

The Labour Party's littoral advocacy of a swingeing devaluation disturbed the calm waters which had gathered yesterday and sterling's boat was again rocked in the Far East while most of London slumbered. Fortunately, the storm passed quickly and some leeway was made up in Europe. The dollar sank back under the weight of selling by the IMM. Sterling's ERI fell to 86.6 (after 86.5 at the opening).

New York had carried sterling up to 1.6025 but it closed at 1.5970 last night. By 2 a.m. this morning Far East markets were trading around 1.5855 but modest official support staved off any further collapse, enabling London to open at 1.5920. The morning session saw a low of 1.5913 but was featureless as regards business. Modest buying interest helped the pound to recover this afternoon, 1.60 being reached shortly before the close at 1.5991. A softer tone then began to develop as American banks squared their books before tomorrow's holiday. Three-month Euro-dollars, at  $9\frac{1}{2}\%$ , and sterling's forward premium, at  $9/16\%$ , were little changed.

In Europe, the pound weakened, easing to 4.04 $\frac{1}{2}$  in Germany, 3.46 $\frac{3}{4}$  in Switzerland and 11.42 $\frac{3}{4}$  in France - an adverse movement of some  $\frac{3}{4}\%$ . The dollar lost about 1% in Germany (2.5280) and France (7.1440), slightly more in Switzerland (2.1682). But the yen, which has recently fallen behind, led the movement, improving by well over 2% to 251.85. In EMS the Belgian franc is now well isolated at the bottom, more than 1% below any other currency and  $2\frac{1}{16}\%$  below the florin. The French sold \$82mn. and deutschemarks equivalent to \$71mn. as the cross-rate between their franc and the deutschemark began to worsen. The Italians recovered \$52mn., the Danes \$22mn. and the Irish \$15mn.; the Germans sold \$8mn. at their fixing.

Gold moved down to around \$401 in the Far East but found buying interest in London which brought fixings at \$404.50 and \$409.25 and later a price above \$412.

Operations:	Market (net)	+	\$2mn.
	Crown Agents	+	6
			<hr/>
		+	\$8mn.
			<hr/> <hr/>
	Overnight	-	\$18mn.
			<hr/> <hr/>

24th November 1982.

DAHB

*DAHB*

US BOND AND MONEY MARKETS

Wednesday, 24th November 1982

Federal Funds

Opening: 8%  
Range: 7 $\frac{1}{4}$ % - 8 $\frac{1}{4}$ %  
Close: 8 $\frac{1}{2}$ %

US Governments (NY closing bids)

2-year: 100 3/16 (-) 9 $\frac{1}{4}$ %  
5-year: 99 $\frac{1}{2}$  (-) 10 $\frac{1}{4}$ %  
10-year: 99 $\frac{5}{8}$  (-) 10 9/16%  
30-year: 98 $\frac{3}{8}$  (+ $\frac{1}{4}$ ) 10 $\frac{1}{2}$ %

Euro-dollars (Today's opening  
London bid)

7-day: 8 $\frac{3}{4}$ %  
1-month: 9%  
3-months: 9 $\frac{1}{2}$ %  
6-months: 9 13/16%

Federal Reserve Operations:

\$1bn. customer repurchase agreement  
with Fed Funds at 8 $\frac{1}{2}$ %. Stop rate  
8.27%. Bought \$275mn. Treasury  
Bills for customers.

3-month Treasury Bills 8%  
3-month US bank CDs 8 9/16%  
Differential 9/16%

Indicators

Comment:

The low Funds rate encouraged the market to open  $\frac{1}{8}$ - $\frac{1}{4}$  higher,  
but in extremely light trading, it then gradually drifted lower.

25th November 1982.

OP

OP