

THE DEPUTY GOVERNOR

GOLD AND FOREIGN EXCHANGE MARKETSMonday, 20th December 1982

Although the exchanges were quieter today, they remained nervous and volatile. The disappointingly large (£3.5bn) increase in M1 announced on Friday and the results of the regional elections in Hamburg both served to strengthen the dollar in early business, although it closed well below its best levels. Sterling was again an uncertain market, drawing only short-lived comfort from the face-saving OPEC agreement. The ERI closed 0.1 lower at 85.2.

The heavy speculative attack launched by the IMM late on Friday in London did not continue into the New York afternoon, allowing sterling to recover to end there at 1.6120. Following the money supply and the Hamburg election result, the Far East took the dollar higher this morning but sterling remained relatively steady, opening in London at 1.61. Little business was seen throughout most of the morning and although the dollar was easing elsewhere, the rate remained stable around the 1.61 level until some selling from the Middle East developed towards noon. This took the rate back to 1.6085 but it rallied again in the early afternoon on the news of the OPEC agreement to limit production to 18.5 million barrels a day. With the dollar then easing elsewhere, sterling reached 1.6167 at best before ending at 1.6147. Three-month Euro-dollars were 1/8% firmer at 9 3/4% and sterling forward discount was 1 1/16%.

The pound was steady in Germany (3.90 1/2) but 1/4% easier in both Switzerland (3.29) and France (11.03 1/2). For its part, the dollar closed a little firmer in each of these centres at 2.4170, 2.0375 and 6.8325. The passage of the weekend without a realignment saw EMS narrow dramatically to 1 5/8% between the Danish crown at the top and the Belgian franc (47.22) at the bottom. The French were able to recoup \$365mn. (of which \$294mn. was in deutschemarks), the Italians \$200mn. and the Danes \$24mn. The yen closed at 244.27.

Gold remained a quiet market, fixing at \$440.75 and \$440.25.

Operations:	Market	-\$58mn.
	Interest	+ 12
	Iran	+ 9
	IDA	+ 5
	Bangladesh	- 6
	Sundries	- 2
		<u>-\$40mn.</u>
	Overnight	-\$16mn.

20th December 1982.
TRS

US BOND AND MONEY MARKETS

MONDAY, 20TH DECEMBER

Federal Funds

Opening: 8 $\frac{3}{8}$ %
Range: 8 $\frac{3}{8}$ %-8 $\frac{5}{8}$ %
Close: 8 $\frac{3}{8}$ %

US Governments (NY closing bids)

2-year: 99 $\frac{1}{2}$ (-) 9 $\frac{5}{8}$ %
5-year: 99 $\frac{1}{2}$ (- $\frac{1}{8}$) 10 $\frac{1}{4}$ %
10-year: 98 $\frac{7}{8}$ (- $\frac{1}{8}$) 10 $\frac{3}{8}$ %
30-year: 96 $\frac{1}{2}$ (- $\frac{1}{2}$) 10 $\frac{3}{8}$ %

Euro-dollars (Today's opening
London bid)

7-day: 8 $\frac{7}{8}$ %
1-month: 9 $\frac{9}{16}$ %
3-months: 9 $\frac{5}{8}$ %
6-months: 9 $\frac{13}{16}$ %

Federal Reserve Operations:

\$1.5bn. customer repurchase
agreement with Fed. funds at 8 $\frac{1}{2}$ %.
Stop rate 8.53%.

3-month Treasury Bills 7 $\frac{15}{16}$ %
3-month US bank CDs 8 $\frac{5}{8}$ %
Differential 11/16%

Indicators

Personal income +0.4% (after +0.7% in October).

Comment:

Prices remained steady during the morning but drifted lower during the afternoon. Trading remained light.

21st December 1982.

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