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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 24th December 1982

A Christmas Eve with no charity for the pound, which continued to suffer from the icy blasts of corporate selling, encouraged perhaps by the slightly rosier appearance of sterling at the opening and by finding a ready buyer: emulating the poor man in the carol, the EEA gathered up any sterling lying around whilst waiting for a Good King - in whatever form - to come in sight. With many centres closed, or closing at noon, other currencies were quiet. Sterling's ERI recovered to 84.1.

In New York last night the pound rallied at the close to 1.5980. By dint also of official action in the Far East this morning the firmer tone enabled an opening level of 1.60 to be recorded here. Quotations were widened because of the market's thinness but most business was transacted near to 1.6050. An oil corporation and other commercial sellers were seen in some size again; during a lull another oil corporation bought sterling and the rate rose to 1.6092 but the underlying weakness soon reasserted itself and after further official support the closing level was 1.6060. By early afternoon, as London went home, business was reported at 1.6015. Eurodollars edged 1/16% higher at 9 1/2%; sterling's forward discount was unchanged at 1 1/4%.

There was a slightly firmer showing for the pound against other European currencies: it rallied to 3.84 against the deutschemark, 10.92% in Paris and 3.23 in Switzerland. The Germans were on holiday: the deutschemark closed firmer in London at 2.3912. EMS remained notionally between the lira (1382.50) and the Belgian franc, about 1 1/2% wide. The French recouped \$31mn. as their franc edged firmer at 6.8050. The Swiss franc closed at 2.01, the yen at 238.10.

Gold moved up slightly to fix at \$448.50 at the only session this morning.

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|-----------------|----------|-----------|
| Operations: | Market | -\$109mn. |
| | BIS | + 45 |
| | Sundries | + 3 |
| | | <hr/> |
| | | - \$61mn. |
| | | <hr/> |
| Holiday period: | | + \$5mn. |
| | | <hr/> |

\$1,050
240 date
m/p

24th December 1982.
DAHB

DAHB

US BOND AND MONEY MARKETS

Monday, 27th & Tuesday, 28th December 1982

Federal Funds (Tues.)

Opening: 8 $\frac{3}{4}$ %
Range: 8 $\frac{3}{4}$ -9%
Close: 8 $\frac{7}{8}$ %

US Governments (NY closing bids for Tuesday)

2-year: 99 $\frac{3}{4}$ (-) 9 $\frac{1}{2}$ %
5-year: 99 $\frac{3}{4}$ (+1/16) 10 3/16%
10-year: 100 $\frac{1}{2}$ (+1/8) 10 3/8%
30-year: 99 $\frac{3}{4}$ (+1/2) 10 7/16%

Euro-dollars (Today's opening London bid)

7-day: 10 3/16%
1-month: 9 3/8%
3-months: 9 3/8%
6-months: 9 5/8%

Federal Reserve Operations: (Tues.)

Two-day repurchase agreements for system account with Funds at 8 7/8%. Stop rate 8.77%.

3-month Treasury Bills 8 1/8%
3-month US bank CDs 8 5/8%
Differential 1/2%

Indicators

M1 +\$0.6bn. (released Monday 27th)
Chase Manhattan prime rate - $\frac{1}{2}$ % to 11%.

Comment:

Trading was very quiet on both days. Prices improved slowly on Monday and the gains were just about held on Tuesday when the Funds rate tightened under end-year pressures.

29th December 1982.
TRS