

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 28th January 1983

There was a further reduction in trading activity today. The dollar moved gently firmer during the morning but ebbed this afternoon to finish more or less where it started in most centres. Sterling was unfortunately caught up on this ebb tide and the ERI shed 0.2 to 80.9.

In New York last night the pound closed at 1.5335 in featureless conditions. It rose a little today in London from the opening level of 1.5382 but then eased, in sympathy with the dollar's general improvement, to a low of 1.5325 before recovering at noon to 1.5360. By mid-afternoon it had strengthened to 1.5410 but then unaccountably eased to close at 1.5370. Euro-dollars were unchanged by the end of trading, at 9 5/16% at three months; the cost of forward cover, too, was unchanged (2 1/16%).

The late softening of sterling meant that it eased in Europe on the day: to 3.73½ in Germany, 3.05½ in Switzerland and 10.59½ in France. The dollar was a touch softer compared with last night, though EMS was rather distended at times. It closed 2½% wide between the florin (2.6710) and Belgian franc (47.60), the latter receiving \$40mn. of support in florins (of which \$12mn. from the Dutch). The Irish and Italians each sold \$20mn., the Germans \$17mn. The deutschemark firmed up to close at its best level of the day, 2.4295, having stood at 2.4405 at the peak of the dollar's advance. The French, whose franc improved to 6.8925, bought deutschemarks equivalent to \$32mn. The Swiss franc was better at 1.9875, the yen marginally so at 236.05.

Gold was steady, fixing at \$492.50 and \$493.75, the fall back from yesterday afternoon's London level occurring later in New York.

Operations:	Market	+	\$12mn.
	Government	-	72 (for January)
	Sundries	+	3
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		-	\$57mn.
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28th January 1983.

DAHB

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US BOND AND MONEY MARKETS

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Federal Funds

Opening: 8¼%
Range: 8⅞% - 8⅞%
Close: 8¼%

US Governments (NY closing bids)

2-year: 99⅝ (-) 9½%
5-year: 99⅞ (-¼) 10¼%
10-year: 98⅞ (-¼) 10 11/16%
30-year: 95⅝ (-⅝) 10⅞%

Euro-dollars (Today's opening
London bid)

7-day: 8⅞%
1-month: 9%
3-months: 9¼%
6-months: 9½%

Federal Reserve Operations:

Bought \$265mn. Treasury Bills for
customers.

3-month Treasury Bills 8 1/16%
3-month US bank CDs 8½%
Differential 7/16%

Indicators

M1 -\$0.8bn.

Leading indicators +1.5% in December (November revised down
to +0.2%)

Comment:

The market drifted lower on very light volume as most
participants preferred to remain on the sidelines in advance of this
week's auctions of new 3, 10 and 30 year issues.

31st January 1983.

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