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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 9th February 1983

The deutschemark improved further today as hopes for a cut in the US discount rate continued to flicker in the exchanges and Chancellor Kohl's prospects seemed a little brighter in Germany. As the deutschemark strengthened not only against the dollar but also within EMS, tensions there grew and the French supported vigorously to maintain the franc/deutschemark cross-rate. Sterling again enjoyed good two-way commercial activity. The ERI closed unchanged at 81.2.

Sterling closed quietly in New York last night against a stronger dollar at 1.5350. This morning the rate opened at 1.5360 and, having touched 1.5353, climbed quickly to the 1.54 level as the dollar weakened generally in Europe, with the deutschemark again in strong commercial demand from corporate customers. As the dollar fell steadily throughout the morning, sterling rose despite some sizeable commercial selling at times to reach 1.5455 at best in mid-morning. The afternoon was largely uneventful but, although the dollar remained broadly unchanged in Europe, sterling drifted back from its best levels despite some demand on oil company account. The rate closed at 1.5426. Three-month Euro-dollars closed 1/16% lower at 9 1/4% and the cost of forward cover widened to 1 3/8%.

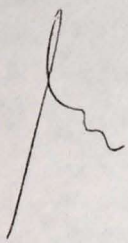
As usual when the dollar weakens, sterling failed to keep pace with some of the Continental currencies, closing 3/8% lower in Germany (3.74) and 1/4% down in France (10.61 1/2). It was, however, 1/4% firmer in Switzerland (3.10 3/4). The dollar closed 1/2% lower in Frankfurt and Paris, at 2.4245 and 6.88 respectively but was little changed in Zurich (2.0142). The improvement in the deutschemark caused problems for the French franc which was supported heavily by the Bank of France who sold \$386mn., of which \$226mn. was in deutschemarks. The Danish crown (8.5425) moved to the top of EMS, 2 3/16% above the Belgian franc (47.69). The Belgians sold \$42mn., of which \$6mn. was in deutschemarks while the Danes bought \$10mn. In addition, the Italians sold \$81mn., the Irish \$18mn. and the Dutch bought \$40mn. The yen closed unchanged at 236.50.

Gold eased back in quiet trading. Fixings were at \$492.25 and \$490.50.

Operations:	Market	+	\$9mn.
	Interest	+	5
	Sundries	+	6
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		+	\$20mn.
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9th February 1983.

TRS



US BOND AND MONEY MARKETS

Wednesday, 9th February 1983

Federal Funds

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

US Governments (NY closing bids)

2-year: 98 $\frac{7}{8}$ (-) 9 $\frac{7}{8}$ %
5-year: 98 $\frac{3}{8}$ (-) 10 $\frac{1}{2}$ %
10-year: 99 $\frac{1}{2}$ (+ $\frac{1}{4}$) 11%
30-year: 93 $\frac{3}{4}$ (+ $\frac{3}{8}$) 11 $\frac{1}{8}$ %

Euro-dollars (Today's opening
London bid)

7-day: 8 $\frac{7}{8}$ %
1-month: 8 15/16%
3-months: 9 3/16%
6-months: 9 9/16%

Federal Reserve Operations:

\$1.5bn. customer repurchase
agreement with Fed Funds at 8 $\frac{1}{2}$ %.
Stop rate 8.30%.

Bought \$350mn. Treasury Bills for
customers.

3-month Treasury Bills 8 $\frac{3}{8}$ %
3-month US bank CDs 8 $\frac{5}{8}$ %
Differential $\frac{1}{4}$ %

Indicators

Comment:

With activity remaining light, the market traded in a
narrow range throughout the day.

10th February 1983.

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