

2/24

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 14th February 1983

Once again, market expectations of a weekend cut in the Fed's discount rate went unfulfilled and, predictably, the dollar was firmer today as a consequence. On this occasion, however, the dollar's reaction was relatively muted and by the close the dollar had surrendered most of its early gains. Sterling was a quiet but rather soft market and the ERI closed 0.2 lower at 80.7.

There was some selling of sterling during a thin afternoon's trading in New York on Friday and the rate slipped back to close there at 1.5350 against a slightly firmer dollar. This morning sterling opened at 1.5325 and, having touched 1.5322 in early business, climbed fairly quickly to the 1.5350 level around which it remained for the balance of the day. Little significant business was seen and the rate remained in a narrow range, reaching a high of 1.5395 shortly before the close at 1.5375. Three-month Euro-dollars were  $\frac{1}{8}\%$  firmer at 9  $\frac{3}{16}\%$  and the cost of forward cover was unchanged at 1  $\frac{13}{16}\%$ .

The pound was marginally easier in Europe, closing at 3.71 in Germany, 3.08 $\frac{3}{4}$  in Switzerland and 10.51 $\frac{1}{2}$  in France. The dollar gained about  $\frac{3}{8}\%$  in each of these centres to close at 2.4131 in Frankfurt, 2.0082 in Zurich and 6.8387 in Paris. In EMS, the guilder (2.6647) returned to top place, 2 $\frac{1}{8}\%$  above the Belgian franc (47.48). The only intervention was a purchase of \$79mn. by the Italians but, outside EMS, the Swedes sold \$60mn. The yen closed at 234.97.

Gold was quiet around the \$500 level. Both fixings were at \$500.50.

Operations: Market + \$2mn.

14th February 1983.

TRS

US BOND AND MONEY MARKETS

Monday, 14th February 1983

Federal Funds

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

US Governments

(NY close)

2-year:	99	(-)	$9\frac{1}{4}\%$
5-year:	99 $\frac{1}{8}$	(+ $\frac{1}{4}$ )	10 5/16%
10-year:	100 $\frac{1}{8}$	(+ $\frac{1}{4}$ )	10 13/16%
30-year:	95 $\frac{1}{4}$	(+ $\frac{1}{2}$ )	10 15/16%

Euro-dollars

(Today's London opening-  
middle rates)

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

Federal Reserve Operations

\$1.2bn. customer repurchase agreement  
with Fed Funds at  $8\frac{3}{8}\%$ . Stop rate 8.34%.

Bought \$400mn. Treasury Notes for  
customers.

3-month Treasury Bills	$8\frac{1}{4}\%$
3-month US bank CDs	$8\frac{1}{2}\%$
Differential	$\frac{1}{4}\%$

Indicators

US business inventories -0.6% in December (after -1.1% in November)

Comment:

Another quiet day's trading. After a firm opening the market remained unchanged until late in the day when it moved up slightly to close at the highs.

15th February 1983.

TRS