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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 15th February 1983

The uncertainty about the future course of US interest rates continued today in rather more active trading on the exchanges. Yesterday's disappointment at the unchanged US discount rate did not persist for long as the IMM came in last night as aggressive sellers of the dollar and today it traded fairly narrowly around its lower levels. Sterling saw some reasonable two-way business but the tone remained nervous. The ERI closed 0.1 higher at 80.8.

Sterling moved up as the dollar weakened in New York last night to close there at 1.5445. This morning the rate opened at 1.5465 and rose rapidly, as the dollar continued to ease in early business, to touch 1.5495. However, some professional selling from Eastern Europe was encountered at the higher levels and with some two-way commercial interest from Europe, the rate settled back to trade around 1.5480 for most of the morning, touching 1.5499 at best shortly before noon. New York were modest buyers of the dollar and as it firmed in Europe, sterling eased back very slightly to close at 1.5475. Three-month Euro-dollars were unchanged at 9 3/16% and the cost of forward cover widened to 1 7/8%.

The pound was steady in both Germany (3.71) and France (10.51 7/8) but lost 1/2% in Switzerland (3.07 1/2). The dollar closed 5/8% easier in each of these centres at 2.3970, 6.7975 and 1.9875 respectively. EMS narrowed to 2 1/16% between the Belgian franc (47.15) and the guilder (2.6480) after purchases of \$42mn. by the Dutch. The Germans bought \$25mn., while the Italians sold \$87mn., the French sold deutschemarks worth \$53mn. and the Irish sold \$13mn. The Swedes sold \$43mn. The yen improved 1% to 232.62.

Gold rallied strongly in New York last night as the dollar weakened and it opened firm in London today, breaching the previously difficult \$510 level during the morning to fix at \$511.50. Some sizeable selling was then seen from Europe and the price slipped to \$509.25 at the afternoon fixing and to \$506 in late business.

Operations:	Market	+	\$3mn.
	Interest	+	9
	EEC	-	45
	Sundries	+	2
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		-	\$31mn.
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15th February 1983.

TRS

US BOND AND MONEY MARKETS

Tuesday, 15th February 1983

Federal Funds

Opening: 8½%  
Range: 8¾% - 8½%  
Close: 8½%

US Governments

(NY close)

2-year: 99 (-) 9 13/16%  
5-year: 99 (-½) 10¾%  
10-year: 100 (-¾) 10¾%  
30-year: 94½ (-¾) 11%

Euro-dollars

(Today's London opening-  
middle rates)

7-day: 8 15/16%  
1-month: 9%  
3-months: 9 3/16%  
6-months: 9 7/16%

Federal Reserve Operations

3-month Treasury Bills 8 5/16%  
3-month US bank CDs 8 9/16%  
Differential ¼%

Indicators

Comment:

The market opened slightly higher, but, after a quiet morning, drifted lower through the afternoon, to close at its low.

16th February 1983.

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