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16. 2.83.

THE GOVERNOR'S PRIVATE SECRETARY

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FOREIGN EXCHANGE AND GOLD MARKETS
9TH FEBRUARY TO NOON 16TH FEBRUARY

With hopes for an early cut in the US discount rate reviving somewhat, following reports on Thursday, 10th February that Volcker saw interest rates declining further and disappointing retail sales figures for January, the dollar initially continued to ease - to reach DM 2.3950 and yen 233.85 at worst on 11th February. However, disappointment that revisions to the US money series did not significantly affect the growth rates of the aggregates, and the absence of a cut in the discount rate caused the dollar to firm. And thereafter it traded erratically as the markets awaited Volcker's testimony before the Senate Banking Committee on 16th February.

Sterling remained unsettled as a result of continued uncertainties over oil prices. A statement by Yamani on Thursday, 10th February that an OPEC price cut was inevitable, whilst saying nothing new, produced widespread selling of sterling and the pound remained soft throughout the week, despite the announcement on 11th February of the retail price index for January.

In EMS, the deutschemark moved towards the top of the band, as Kohl's electoral prospects appeared to improve. As it did so, it caused problems for the French franc, and the Bank of France spent \$870mn. on 9th and 10th February in order to maintain the franc's cross-rate against the deutschemark. EMS remained almost fully-stretched throughout, closing 2 1/16% wide between the guilder at the top and the Belgian franc at the bottom.

After initially easing back, a recommendation from an advisory house to their clients to buy caused gold to surge swiftly through \$500 late in New York on 10th February. On 15th February it breached the previously difficult \$510 level to fix at \$511.50 before easing to \$506 3/4 at the first fix on 16th February.

16th February 1983.

OP or

MAIN EXCHANGE RATES

	<u>8. 2.83.</u>	<u>16. 2.83.</u>
	c.o.b.	noon
<u>£</u>		
\$/£	1.5395	1.5390
£/DM	3.75 1/4	3.70 3/4
£/SF	3.09 7/8	3.07 3/8
£/FF	10.64 1/8	10.51 3/8
ERI	81.2	80.7

\$

\$/DM	2.4377	2.4090
\$/SF	2.0132	1.9975
\$/FF	6.9120	6.8315
\$/yen	236.45	234.82

MAIN INTERVENTION ABROAD

France	- \$920mn. (of which \$540mn. in DM)
Italy	- \$200mn.
Belgium	- \$200mn.
Sweden	- \$150mn.
Netherlands	+ \$180mn.

EEA OPERATIONS

+ \$14mn. (market -)