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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 8th April 1983

The going was soft for sterling this morning after a quiet start but good general demand soon had it cantering up to 1.51 again as positions in deutschemarks and yen were turned. Once these fences had been successfully negotiated, however, its riders departed and it trotted gently downhill. After an unpublished level of 80.8 the ERI closed unchanged at 80.6. The deutschemark remained under pressure.

Last night sterling closed at 1.5037 in New York. It was quoted at 1.5045 as London opened and initially drifted down to 1.5020. Substantial buying orders from the Far East, Switzerland and the Middle East brought a swift reversal, taking the rate up to 1.5103. At the same time the sales of deutschemarks and yen against the dollars required to buy pounds was weakening those currencies. Once the demand had been satisfied, the pound moved back to close in London at 1.5036 after 1.5015. It later recovered to 1.5050. Euro-dollars moved up $\frac{1}{8}\%$ to $9\frac{1}{2}\%$; three-months' cover remained at $\frac{3}{4}\%$.

The dollar's strength in Europe enabled the pound to make further gains, although failing to hold the best levels after the cessation of the morning demand. Thus it rose to 3.64 $\frac{1}{2}$ (after 3.65 $\frac{1}{2}$) in Germany, 10.94 1/16 in France and 3.09 $\frac{1}{2}$ in Switzerland. The deutschemark started the day steady but weakened thereafter to 2.4285 before closing at 2.4257. A total of \$420mn. equivalent was spent in its defence: in Belgium \$44mn., in France \$270mn., in Denmark \$50mn., in Ireland \$6mn. and in Germany itself a total of \$50mn. (almost all in French francs). The florin (2.7331), which ended joint weakest with the deutschemark, was given \$43mn. of support in Holland, in a mixture of currencies, and \$11mn. in Denmark. The punt was the strongest currency at London's close, a full 2 $\frac{1}{2}\%$ away from the bottom of EMS. The French franc eased to 7.2762. The Italians were less active, recovering \$90mn. in spite of a weakening lira (in line with the other currencies). The Swiss franc moved down to 2.0607, the yen to 239.25.

Gold remains quiet. Some small selling activity in sympathy with similar action in silver depressed the price and the fixings were at \$423 and \$421.25.

Operations:	Market	+	\$1mn.
	Crown Agents	+	8
	IMF	-	6
	Sundries	+	6
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		+	\$9mn.
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8th April 1983.

DAHB

DP

US BOND AND MONEY MARKETS

Friday, 8th April 1983

Federal Funds

Opening: 8 $\frac{3}{4}$ %
Range: 8 $\frac{1}{2}$ % - 8 $\frac{3}{4}$ %
Close: 8 $\frac{1}{2}$ %

US Governments

(NY close)

2-year: 100 (+ $\frac{1}{8}$) 9 $\frac{5}{8}$ %
5-year: 99 $\frac{1}{4}$ (+ $\frac{1}{4}$) 10 $\frac{1}{8}$ %
10-year: 102 $\frac{1}{2}$ (+ $\frac{1}{4}$) 10 $\frac{1}{2}$ %
30-year: 98 $\frac{5}{8}$ (+ $\frac{1}{4}$) 10 $\frac{1}{2}$ %

Euro-dollars

(Today's London opening-
middle rates)

7-day: 9 $\frac{1}{2}$ %
1-month: 9 5/16%
3-months: 9 7/16%
6-months: 9 9/16%

Federal Reserve Operations

\$2bn. customer repurchase agreement
with Fed Funds at 8 $\frac{3}{4}$ %. Stop rate
8.66%.

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

Indicators

M1 down \$100mn.
Net borrowed reserves \$585mn.

Comment:

After trading quietly for most of the day, the market moved up $\frac{1}{4}$ in late trading, on M1 being rather better than feared and with the high net borrowed figure being explained by many as due to end-quarter pressures.

11th April 1983.

OP JVP