

FE 2/2 h 102

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 28th April 1983

There were further heavy movements of funds into the dollar both last night in New York and in Europe today and the dollar reached its best levels in some centres for almost three months. In the face of the size of the US Treasury refinancing package and the forecast of the financing requirements for the remainder of the financial year, both professional dealers and commercial operators saw little prospect of any substantial decline in US interest rates, while Feldstein's reiteration of the US administration's position on intervention to halt the dollar's rise dismayed those looking for concerted international action. Sterling fell back in the face of the stronger dollar but remained firm in Europe; the ERI closed unchanged at 84.2.

Despite the dollar's strength in New York last night, sterling rose slightly from its London close to end there at 1.5665. This morning the pound opened at 1.5675 but immediately began to ease back as the dollar rose in Europe. As yesterday, there were some official European sales of sterling in the market and with some professional selling from London putting pressure on the rate as well, sterling fell to 1.5605 in late morning. Once again, New York took the dollar higher and with a large US commercial selling order being executed as well during the early afternoon, the pound slipped to 1.5555 as the dollar peaked. The dollar eased a little, however, towards the end of the day enabling sterling to recover to close at 1.5602. Three-month Euro-dollars were 1/16% easier at 9% and the cost of cover widened to 1 1/8%.

The pound was modestly firmer in Europe, closing at 3.84 1/2 in Germany, 11.53 1/2 in France and 3.22 1/2 in Switzerland. The dollar rose 1/2% in each of these centres and closed at 2.4657 in Frankfurt, having earlier touched 2.4715. Net support for the deutschemark, which reverted to bottom position in EMS, amounted to \$278mn. (\$90mn. from France, \$83mn. from Belgium, \$7mn. from Ireland, \$4mn. from Sweden and \$144mn. from Germany itself, while the Dutch, rather strangely, sold forward \$50mn.-worth of deutschemarks). The Dutch also sold \$40mn. and the Danes \$4mn. The French franc (7.4115) was again the strongest currency in the arrangement but earlier set a new all-time low of 7.3975. The Swiss franc eased to 2.0675 and the yen to 237.77.

Gold was a soft market with some sizeable selling, perhaps from the Middle East. Fixings were at \$427 and \$428.50.

Operations:	Market	+ \$8mn.
	Government	+ 60
	(Canc'd requirement)	
	Interest	+ 9
	Sundries	+ 3
		<hr style="width: 50%; margin-left: auto; margin-right: 0;"/>
		+ \$80mn.
		<hr style="width: 50%; margin-left: auto; margin-right: 0;"/>

28th April 1983.

TRS

US BOND AND MONEY MARKETS

Thursday, 28th April 1983

Federal Funds

Opening: 8 $\frac{5}{8}$ %
Range: 8 $\frac{5}{8}$ % - 8 $\frac{7}{8}$ %
Close: 8 $\frac{7}{8}$ %

US Governments

(NY close)

2-year: 100 $\frac{1}{4}$ (+ $\frac{1}{8}$) 9 $\frac{3}{8}$ %
5-year: 99 $\frac{7}{8}$ (+ $\frac{1}{4}$) 9 $\frac{7}{8}$ %
10-year: 103 $\frac{5}{8}$ (+ $\frac{1}{4}$) 10 $\frac{1}{4}$ %
30-year: 99 $\frac{7}{8}$ (+ $\frac{3}{8}$) 10 $\frac{3}{8}$ %

Euro-dollars

(Today's London opening-
middle rates)

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

Federal Reserve Operations

Four-day system repurchase
agreement with Fed Funds at 8 $\frac{3}{4}$ %.
Stop rate 8.38.

Sold \$200mn. Treasury Bills for
customers.

3-month Treasury Bills 8 3/16%
3-month US bank CDs 8 5/16%
Differential $\frac{1}{8}$ %

Indicators

Comment:

The market opened unchanged and improved steadily through the morning, despite the higher Fed Funds rate, in the face of persistent buying. Prices remained firm during a quieter afternoon.

29th April 1983.

OP *OP*