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November 12, 1997

To:            Members of the Executive Board  
From:         The Secretary  
Subject:      **Daily Report on Foreign Exchange and Financial Markets**

The attached daily report on Foreign Exchange and Financial Markets is circulated for the information of Executive Directors.

Att: (1)



# INTERNATIONAL MONETARY FUND

Treasurer's Department

## Daily Report on Foreign Exchange and Financial Markets

November 12, 1997

The U.S. dollar firmed against most other major currencies in the period from noon yesterday to noon today in London, reaching six-month highs against the Japanese yen. Analysts attributed continued weakness in the yen to diminished expectations of economic growth, despite an expected announcement on Friday from the Liberal Democratic Party of planned stimulus measures. Market participants also indicated that the absence of comments about the yen's level against the dollar and the deutsche mark by major government officials signaled a willingness on their part to allow the yen to depreciate even further. Tokyo equity prices fell nearly 3.0 percent to a more than two-year low, and the premium paid by Japanese banks compared to major European and American banks in the interbank market widened further. The dollar rose against the mark, albeit modestly, mainly on technically-driven trade. The market is focused on today's Federal Open Market Committee (FOMC) meeting and tomorrow's congressional testimony by Federal Reserve Chairman Alan Greenspan on recent fluctuations in global financial markets.

The currencies participating in the exchange rate mechanism (ERM) of the European Monetary System depreciated 0.07-0.25 percent against the U.S. dollar; the deutsche mark was mixed within the grid. Outside the ERM, the pound sterling firmed against the dollar after the Bank of England's quarterly inflation report indicated that continued rapid growth in broad money, domestic demand and output suggested that "the balance of risks to inflation remained to the upside." Finance Minister Yannis Papandoniou told reporters during a presentation of the 1998 budget that Greece will not pursue the Greek drachma's entry into the ERM before the country joins EMU.

In other markets, Southeast Asian currencies were mixed against the U.S. dollar in the absence of new economic reports. The Thai baht weakened against the dollar; some analysts commented that the IMF Managing Director's indication that there would be no renegotiation of Thailand's assistance package signaled a vote of confidence in Thailand's economic prospects, while others questioned whether the package provided enough financial assistance. The Korean won steadied against the dollar amid central bank intervention. In Latin America, the Mexican peso firmed against the dollar; Finance Minister Ortiz presented the 1998 budget proposal, calling for a deficit of 1.25 percent of GDP and no changes in income or sales tax rates.

Money market rates and bond yields were mixed. Most major equity markets fell overnight, increasing expectations of a fall in prices in New York today. The price of gold in London fell slightly to \$310.10 p.f.o. this morning, compared with \$310.60 p.f.o. yesterday. The Bundesbank announced today that it has been involved in lending its gold reserves for some time but that it has no intentions of selling gold.

Exchange Rates Against the U.S. Dollar and Gold Prices  
Nov 12, 1997

Currencies in the EMS <u>Exchange Rate Mechanism</u>	London noon <u>quotations 1/</u>	Appreciation (+) or depreciation (-) from <u>yesterday, in percent</u>	Spreads in the parity <u>grid 2/</u>
Austrian schillings	12.050	-0.25	--
Belgian francs	35.300	-0.17	0.07
Danish kroner	6.5130	-0.18	0.31
Deutsche mark	1.7114	-0.18	0.08
Finnish markkaa	5.1616	-0.23	0.87
French francs	5.7328	-0.20	0.20
Irish pounds	1.5224	-0.22	8.15
Italian lire	1675.80	-0.07	1.18
Netherlands guilders	1.9291	-0.18	0.04
Portugese escudos	174.6500	-0.17	0.52
Pounds sterling (suspended)	1.7096	0.17	
Spanish pesetas	144.5200	-0.17	0.82
<u>Other European Currencies</u>			
Greek drachmas	268.5500	-0.20	
Norwegian kroner	7.0013	-0.33	
Russian ruble 3/	5909.0000	-0.04	
Swedish kronor	7.4865	-0.16	
Swiss francs	1.3909	0.14	
<u>Other currencies</u>			
Japanese yen	125.910	-0.62	
Australian dollars	0.6935	-0.62	
Canadian dollars	0.71013	-0.18	
Mexican peso	8.2800	0.85	
Indonesian rupiah	3365.0000	-1.04	
Korean won	989.9000	0.00	
Malaysian ringgit	3.3200	0.00	
Philippine peso	33.4300	1.17	
Thai baht	38.6000	-1.94	
<u>Composite rates 4/</u>			
Effective U.S. dollar	107.48	0.27	
U.S. dollar/SDR	1.37996	0.13	
U.S. dollar/ECU	1.15330	0.13	
<u>Selected cross rates</u>			
	<u>Today</u>	<u>Yesterday</u>	<u>Intervention limits of ERM currencies 5/</u>
French francs/Deutsche mark	3.3498	3.3491	2.8881 - 3.8948
Deutsche mark/Pounds sterling	2.9258	2.9156	2.7780 - 3.1320
Italian lire/Deutsche mark	979.20	980.27	852.59-1149.56
Italian lire/Pounds sterling	2864.95	2858.04	2229.56-2513.64
Japanese yen/Deutsche mark	73.57	73.25	
<u>Morning gold fixings 7/</u>			
London	<u>Today</u> \$310.10	<u>Yesterday</u> \$310.60	
<u>For the weeks beginning</u>			
SDR interest rate	<u>11/10/97</u> 4.32%	<u>11/3/97</u> 4.21%	

1/ Expressed in terms of currency units per U.S. dollar, except for pound sterling, the Irish pound, the Canadian and Australian dollars, the SDR, and the ECU which are expressed in U.S. dollars per currency unit. The Mexican peso refers to the London opening. The Indonesian rupiah, Korean won, Malaysian ringgit, Philippine peso and the Thai baht refer to closings in the domestic markets.

2/ As measured by percentage deviations from currency at bottom of the band calculated on the basis of central rates. The maximum spread at the European fixings is 15 percent, except for the spread between deutsche mark and the Netherlands guilder, which is 2.25 percent.

3/ Russian ruble exchange rate is a Moscow Interbank Currency Exchange quote.

4/ The effective U.S. dollar index is based on MERM weights (1980=100). Appreciation / depreciation relates to that of the U.S. dollar.

5/ In the case of the pound sterling, the fixed intervention limits are those before the suspension of this currency in the exchange rate mechanism of European Monetary System in September 1992.

6/ Percentage change from central rate of the pound sterling against the deutsche mark.

7/ Expressed in U.S. dollars per fine ounce.

Daily Monetary Conditions  
November 12, 1997

	Interest rates 1/ (Percent per annum)			
	Today	Change from yesterday	Average for Q2/1997	Average for Q3/1997
<u>United States</u> (Opening) 2/				
Discount rate	5.00	0.00	5.00	5.00
Federal funds	5.63	+0.13	5.56	5.55
Three-month Tbill	5.31	-0.01	5.18	5.14
Ten-year Tbond	5.88	-0.02	6.24	5.99
Thirty-year Tbond	6.14	-0.01	6.53	6.28
Eurodollar	6.19	+0.40	5.68	5.73
Six-month libor	6.25	+0.41	5.83	5.83

Money market rates were mixed, with the federal funds rate rising 13 basis points ahead of today's FOMC meeting. Bond yields were generally steady in the absence of new economic data and in light of yesterday's Veterans Day holiday. The Dow Jones industrial average rose a mere 6 points to close at 7,559.

<u>Japan</u> (Closing)				
Discount rate	0.50	0.00	0.50	0.50
Key overnight call rate	0.44	0.00	0.49	0.47
Three-month CDS	0.53	0.00	0.66	0.54
Ten-year benchmark bond	1.75	+0.08	2.10	1.70
Euro-yen	0.47	0.00	0.59	0.47

Money market rates were unchanged and bond yields moved higher. Analysts said that foreign investors were reportedly selling JGBs due to the yen's weakness against the U.S. dollar. The Nikkei 225-share index fell nearly 3 percent to close at 15,434, its lowest level in more than two years.

<u>Germany</u> (Midmorning)				
Discount rate	2.50	0.00	2.50	2.50
Lombard rate	4.50	0.00	4.50	4.50
Call rate	3.42	0.00	3.11	3.38
Three-month interbank	3.72	+0.04	3.20	3.57
Ten-year benchmark bond	5.61	0.00	5.60	5.59
Euro-deutsche mark	3.82	+0.10	3.21	3.62

Money market rates and bond yields were generally unchanged. The DAX equity index fell nearly 2 percent.

<u>United Kingdom</u> (Midmorning)				
Base lending rate	7.25	0.00	6.87	7.03
Three-month interbank	7.70	+0.07	7.19	7.39
Ten-year benchmark gilt	6.76	+0.02	6.52	6.61
Euro-sterling	7.66	+0.28	7.15	7.30

Money market rates were higher and bond yields were relatively unchanged. October unemployment fell a lower-than-expected 9,000 and September annual earnings grew 4.25 percent against a projected 4.5 percent. The FTSE 100-stock index was down over 2 percent in line with other major equity markets.

<u>France</u> (Midmorning) 3/				
Intervention rate	3.30	0.00	3.10	3.25
Five-ten days rate	4.60	0.00	4.60	4.60
Day-to-day	3.39	-0.02	3.21	3.36
Three-month interbank	3.75	+0.02	3.46	3.65
Ten-year Treasury bond	5.63	+0.01	5.52	5.60
Euro-French franc	3.63	+0.01	3.35	3.56

Money market rates and bond yields were relatively unchanged in the absence of new economic reports.

1/ Eurocurrency rates are quoted at 11:00 a.m. in London except for the Euro-sterling rate which is quoted in Paris. The rates are the midpoints of the three-month maturity, except for the six-month Eurodollar London interbank offered rate (Libor).

2/ Changes from Monday's close.

3/ Changes from midmorning on Monday.

**Table 3. Global Stock Market Indices**

November 12, 1997

ASIA (Close to close)	12 NOV 1997	11 NOV 1997	Percentage Change
Tokyo: Nikkei 225	15434.2	15867.2	-2.7
Bangkok: Composite SET	469.4	467.9	0.3
Hong Kong	9607.9	10004.1	-4.0
Jakarta	449.6	448.2	0.3
Kuala Lumpur	684.5	692.5	-1.2
Manila	1841.8	1862.3	-1.1
Seoul	517.5	522.1	-0.9
Singapore	1685.8	1684.1	0.1
Australia: All Ordinaries Index	2510.9	2524.0	-0.5

EUROPE (Close to midday)	12 NOV 1997	11 NOV 1997	Percentage Change
London: FTSE 100	4694.6	4793.7	-2.1
Paris: CAC-40 <sup>1/</sup>	2659.3	2699.7	-1.5
Frankfurt: DAX	3659.3	3731.1	-1.9
Milan: Mibtel	14549.0	14817.0	-1.8
Moscow: 21-Share	--	385.69	--

AFRICA (Close to midday)	12 NOV 1997	11 NOV 1997	Percentage Change
Johannesburg: All-share	6534.9	6659.5	-1.9

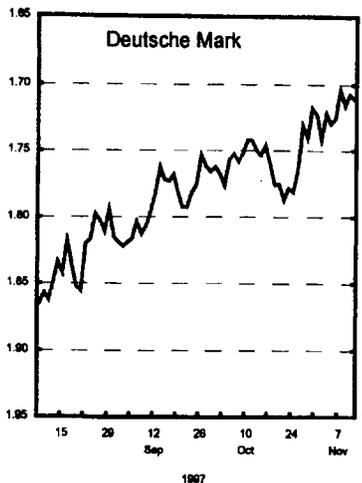
WESTERN HEMISPHERE: (Close to close)	11 NOV 1997	10 NOV 1997	Percentage Change
New York: DJIA	7558.7	7552.6	0.1
U.S.: Nasdaq Comp.	1584.9	1590.7	-0.4
Toronto: 300 Comp.	6786.5	6819.0	-0.5
Mexico: IPC	4527.1	4545.5	-0.4
Buenos Aires: MerVal	606.0	614.1	-1.3
Sao Paulo: Bovespa	8711.0	9006.0	-3.3
Santiago	114.9	115.2	-0.3

1/ Reflects last Friday's close

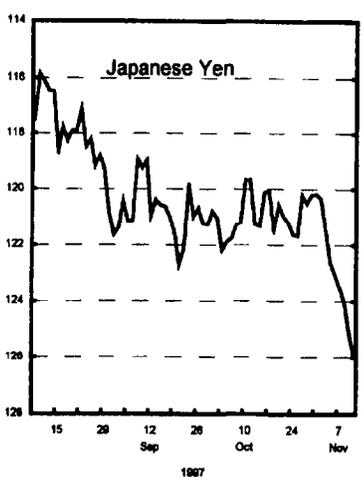
# SPOT EXCHANGE RATES<sup>1/</sup> AND GOLD PRICES

AUGUST 8, 1997 - NOVEMBER 12, 1997

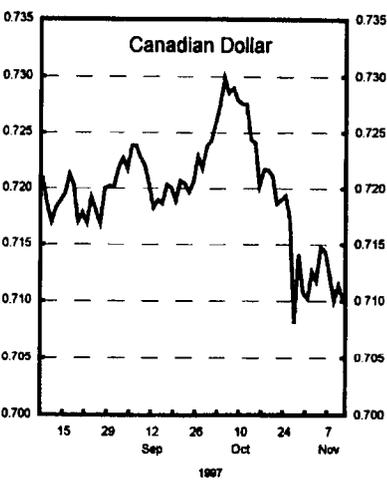
DEUTSCHE MARK  
PER U.S. \$



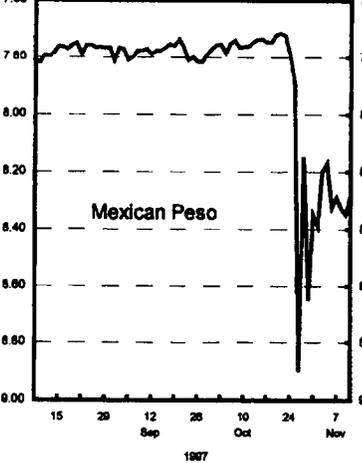
JAPANESE YEN  
PER U.S. \$



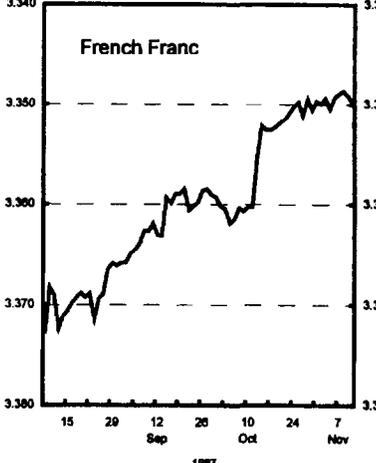
U.S. \$ PER  
CANADIAN DOLLAR



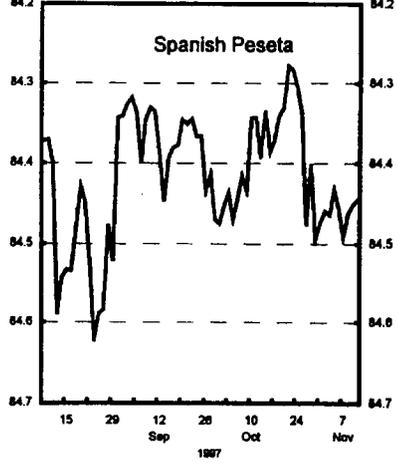
MEXICAN PESOS  
PER U.S. \$



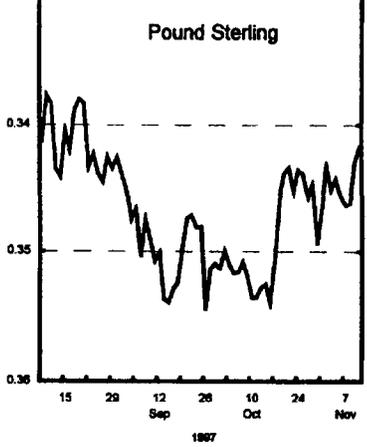
FRENCH FRANCS  
PER DEUTSCHE MARK



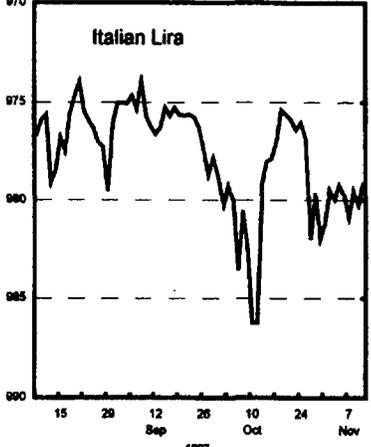
SPANISH PESETAS  
PER DEUTSCHE MARK



POUNDS STERLING  
PER DEUTSCHE MARK



ITALIAN LIRE  
PER DEUTSCHE MARK



IN U.S. DOLLARS  
PER FINE OUNCE



<sup>1/</sup> Based on London noon quotations, except for the Mexican peso which is at the opening in London.

