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DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

OFFICE OF
ASSISTANT SECRETARY
FOR INTERNATIONAL AFFAIRS

WEEKLY REPORT Foreign Exchange Market July 4-8, 1988

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1988 FINATT
FILE

- The dollar began the week at its highest levels against the yen (¥ 135.50) in about eight months. While it ended the week at nine month highs against the mark, it finished somewhat lower against the yen and certain "high yield" currencies.
- Weekend reports that an Iranian jet had been shot down by U.S. forces initially stimulated some safe-haven demand for dollars. Persistence of the belief that U.S. and Japanese authorities would accept some further dollar appreciation brought the dollar to the year's high against the yen in markets thinned by the U.S. holiday Monday.
- As the week progressed, market participants grew uncertain about the policy intent of U.S. and Japanese authorities. Concern that the authorities might act to prevent upward movement in dollar rates triggered sporadic bursts of dollar sales, particularly against the yen.
 - A senior USG official was cited by a Japanese news service as saying a further dollar rise (significantly above ¥ 130-131) would seriously damage U.S. trade competitiveness.
 - The report brought the dollar to the week's lows (¥ 131.30 and DM 1.8110). Subsequent reported comments by a U.S. Treasury Department spokesman were seen as discounting the earlier story.
 - Early in the week, Japanese Finance Minister Miyazawa indicated that recent exchange rate movements have not been volatile.
 - Numerous rumors circulated; many suggested differing views of Japanese authorities as to appropriate levels for the dollar. Others indicated a Japanese discount rate hike was imminent and would likely be followed by a similar move by the Federal Reserve.

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NARADATE 12/10/13

	Close July 1	Close July 4	2:30pm July 8	\$ % Change July 1-8
German mark	1.8208	1.8288	1.8418	1.2
Japanese yen	134.35	135.43	133.20	-0.9
French franc	6.1375	6.1600	6.1990	1.0
Swiss franc	1.5135	1.5230	1.5320	1.2
Sterling	\$1.6980	\$1.6830	\$1.6988	0.0
Canadian dollar	\$0.8197	\$0.8187	\$0.8265	-0.8
Euro-\$ (3-mo.bid)	7-3/4%	7-3/4%	8%	+1/4
Gold	\$437.45	\$437.55	\$438.75	+1.30

Drafted by C. Carnes

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- June data on unemployment (which declined to 5.3 percent, its lowest level since May 1974) and Non-farm Payroll (up 246,000), released today, were seen as reflecting strong export growth and foreshadowing monetary tightening. The release stimulated dollar demand. Market reaction was moderated by reports of German and U.S. intervention and prior to next Friday's release of U.S. May trade data.
- During the week the Germans sold about \$900 million against marks. U.S. authorities sold about \$450 million against purchases of marks.

DM and the EMS

- The mark eased slightly, trading comfortably within the EMS currency band.
 - Market participants largely ignored news Monday that Germany's trade surplus widened in April (to DM 9.5 billion from DM 8.6 billion in March).
 - German unemployment remained at 8.4 percent in June, contributing to a persistent perception of lackluster German economic performance.
- In the wake of last week's European interest rate hikes, certain EMS members eased leading interest rates by one-quarter point.
 - The Bank of France lowered its key intervention rate to 6.75 percent from 7.0 percent.
 - The Danes, with the krone at the top of the currency band, cut their key lending rate to 8.5 percent from 8.75 percent.
- Intervention within the EMS was limited.
 - The Danish and Italians bought a combined total of nearly \$300 million equivalent of DM; the Danish also bought some yen and a small amount of Belgian francs. The Belgians, with the franc at the bottom of the narrow currency band, sold dollars.

Japanese yen

- The yen firmed from recent lows on concern that Japanese authorities might act around the ¥ 135 level to limit dollar appreciation.

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- Rumors noted above increased market uncertainty and concerns about possible Japanese intervention. Market participants acted to unwind sizeable short-yen positions held against both the dollar and the mark.

Sterling

- Sterling firmed following another increase in base rates.
 - The Bank of England engineered a further one-half point hike in the base rate. The rate now stands at 10 percent, well above its recent (June 1) low of 7.5 percent.

Canadian Dollar

- The Canadian dollar firmed slightly, after declining earlier in the week, as market participants moved back into higher yield currencies.
 - Reserves increased to a record level US\$ 16.2 billion, up US \$2.8 billion in June, reflecting U.S. dollar purchases made to resist the Canadian dollar's recent appreciation.

South Korean Won

- After appreciating nearly nine percent vs the dollar during first-half 1988, the won's appreciation will be slowed, according to market reports citing Finance Minister Sakong Il.
 - Korean officials pointed to a higher won and increased labor costs as responsible for a cooling-off of the economy. They indicate the current account surplus is expected to decline and exports to fall by nearly 47 percent from first to second half of 1988.
 - The won firmed by 0.2 percent over the course of the week.

Taiwan Dollar

- The Taiwan dollar resumed a firming trend vs the dollar. There is a sense among market participants that officials are prepared to allow the Taiwan dollar to firm back to levels reached earlier this spring (around 28.61).
 - Increased gold purchases and intervention sales in response to a stronger U.S. dollar have caused the level of Taiwan's reserves to fall significantly (while still estimated to be the second or third largest worldwide).

OFFICE OF FOREIGN EXCHANGE OPERATIONS

Measurements of Dollar Movements
July 8, 1988

TABLE 2

Percent dollar appreciation or depreciation (-)

Percent of dollar
appreciation to
highs reversed e/

Value of the Dollar in terms of: -----	Mar 20, 1973 to date a/ -----	Jul 22, 1980 to date b/ -----	Feb 26, 1985 to date -----	Sep 20, 1985 to date -----	Feb 20, 1987 to date -----	Apr 8, 1987 to date -----	Dec 22, 1987 to date -----	1988 to date ----	as of Sep 20, 1985 -----	as of today -----
GERMAN MARK	-35.5	4.9	-47.5	-36.9	-0.5	-0.7	11.7	15.3	33.8	95.1
JAPANESE YEN	-49.8	-39.9	-49.4	-45.3	-13.9	-9.7	4.5	9.0	46.9	313.2
STERLING	44.1	39.2	-39.1	-21.0	-10.7	-5.6	6.9	9.4	23.1	49.9
FRENCH FRANC	35.6	52.0	-42.2	-30.4	0.5	0.5	11.2	14.5	27.5	68.1
CANADIAN DOLLAR	21.0	4.7	-14.0	-12.5	-9.5	-7.7	-7.7	-7.3	8.1	75.1
ITALIAN LIRA	138.8	63.4	-37.8	-30.5	3.7	3.4	12.6	15.7	16.9	61.0
SWISS FRANC	-53.2	-4.9	-48.3	-36.0	-2.1	-0.6	14.4	18.7	42.0	105.9
SDR c/	-8.1	1.4	-27.9	-22.3	-3.9	-2.6	5.7	8.1	19.2	95.1
ECU d/	n.a.	27.1	-43.9	-32.2	-0.9	-0.7	11.1	14.3	16.5	61.8
US Dollar (Trade-Weighted vs. G10)	-8.1	-1.1	-36.4	-29.4	-8.0	-5.7	2.4	4.9	28.0	102.0

Rate Sources: London Midday Rates

a/ Beginning of generalized floating.

b/ Beginning of sustained dollar strength.

c/ Special Drawing Rights. d/ European Currency Unit

e/ Portion of dollar appreciation between July 22, 1980
and Feb. 26, 1985 reversed by subsequent dollar depreciation.

July 8, 1988

Measurements of Dollar Movements

Percent dollar appreciation or depreciation (-)

Value of the Dollar in terms of: -----	Jul 22, 1980 to date b/ -----	Feb 26, 1985 to date -----	Sep 20, 1985 to date -----	Jul 31, 1986 to date -----	Nov 28, 1986 to date -----	Feb 20, 1987 to date -----	Apr 8, 1987 to date -----	Dec 22, 1987 to date -----	1988 to date -----
GERMAN MARK	4.9	-47.5	-36.9	-13.0	-7.9	-0.5	-0.7	11.7	15.3
JAPANESE YEN	-39.9	-49.4	-45.3	-14.0	-18.3	-13.9	-9.7	4.5	9.0
CANADIAN DOLLAR	4.7	-14.0	-12.5	-12.6	-12.9	-9.5	-7.7	-7.7	-7.3
TAIWAN DOLLAR	-20.1	-26.6	-29.0	-24.4	-20.7	-17.9	-15.7	0.7	0.7
SINGAPORE DOLLAR	-3.2	-9.0	-7.0	-5.8	-5.3	-4.1	-4.4	2.3	2.6
HONG KONG DOLLAR	59.1	0.4	0.0	0.1	0.4	0.2	0.1	0.4	0.7
KOREAN WON	23.5	-12.9	-18.8	-17.9	-16.2	-15.2	-14.0	-8.6	-8.3

Rate Sources: London Midday Rates for Mark, Yen, and Canadian dollar;
domestic market rates for Won, and Taiwan dollar;
New York midday for Hong Kong and Singapore dollar.

1988 JUNE	SDR VALUATION \$ per SDR	STERLING a)	BELGIAN FRANC b)	SWISS FRANC b)	GERMAN MARK b)	FRENCH FRANC b)	ITALIAN LIRA b)	DUTCH b) GUILDER	CANADIAN DOLLAR a)	JAPANESE YEN b)	London Gold Price Fixings (\$ per ounce)
20	1.34918	-1.39 1.7834	-1.75 36.81	-4.40 1.4638	-3.67 1.7598	-0.25 5.9330	+2.79 1305.00	-3.46 1.9795	-1.59 .8278	-3.44 126.28	453.90 454.20
21	1.34743	-1.32 1.7905	-1.74 36.75	-4.42 1.4572	-3.37 1.7548	-0.21 5.9190	+2.83 1303.00	-3.52 1.9745	-1.46 .8285	-3.53 126.34	451.70 451.65
22	1.34053	-1.32 1.7665	-1.71 37.29	-4.51 1.4765	-3.76 1.7822	-0.31 6.0038	+2.86 1320.50	-3.59 2.0065	-1.45 .8258	-3.36 128.90	449.80 448.50
23	1.33085	-1.39 1.7584	-1.65 37.31	-4.32 1.4736	-3.51 1.7814	-0.34 5.9960	+2.86 1321.55	-3.52 2.0065	-1.48 .8310	-3.33 128.44	447.60 447.80
24	1.32712	-1.65 1.7258	-1.61 38.00	-4.27 1.5005	-3.44 1.8138	-0.34 6.1015	+2.78 1345.05	-3.51 2.0440	-1.50 .8312	-3.32 130.22	447.00 443.25
27	1.31388	-1.93 1.7028	-1.65 38.11	-4.23 1.5066	-3.37 1.8204	-0.33 6.1465	+2.64 1350.00	-3.44 2.0515	-1.47 .8281	-3.40 130.96	442.00 443.30
28	1.32541	-1.91 1.7168	-1.72 37.92	-4.37 1.4996	-3.29 1.8134	-0.31 6.1090	+2.57 1344.20	-3.48 2.0450	-1.41 .8292	-3.50 131.32	443.85 443.85
29	1.31040	-1.91 1.7135	-1.71 38.14	-4.33 1.5115	-3.37 1.8225	-0.29 6.1440	+2.51 1351.25	-3.38 2.0555	-1.53 .8225	-3.48 133.20	443.90 433.55
30	1.31061	-2.02 1.7100	-1.73 38.11	-4.28 1.5068	-3.35 1.8172	-0.34 6.1262	+2.34 1349.00	-3.24 2.0500	-1.51 .8238	-3.43 133.40	436.85 436.55
JULY											
1	1.30770	-2.24 1.6990	-1.50 38.16	-4.27 1.5138	-3.34 1.8222	-0.31 6.1438	+2.52 1353.00	-3.22 2.0550	-1.49 .8197	-3.30 134.35	436.50 436.85
4	1.30563	C	L	O	S	E				D	437.15 437.55
5	1.30705	-2.09 1.7125	-1.48 38.07	-4.18 1.5134	-3.42 1.8181	-0.33 6.1275	+2.69 1349.00	-3.31 2.0495	-1.50 .8242	-3.23 133.80	437.40 437.50
6	1.31061	-2.12 1.7118	-1.52 38.15	-4.36 1.5152	-3.58 1.8232	-0.38 6.1385	+2.76 1352.00	-3.46 2.0545	-1.49 .8287	-3.47 133.62	438.10 436.80
7	1.31508	-1.99 1.7136	-1.60 38.14	-4.27 1.5150	-3.47 1.8215	-0.51 6.1315	+2.81 1349.75	-3.38 2.0505	-1.50 .8287	-3.54 132.56	439.15 440.90
8	1.31272	-2.16 1.6988	-1.55 38.56	-4.21 1.5320	-3.39 1.8418	-0.53 6.1990	+2.73 1362.95	-3.33 2.0735	-1.50 .8265	-3.47 133.20	438.90 439.40
11											
12											
13											
14											
15											

(2:30 pm exchange rates; 3-month forward is dollar discount or premium, % per annum, except for U.K. & Canada.)
(a) \$ per unit. (b) Units per \$.

TABLE 5

SHORT TERM INTEREST RATES
(Three Months, Percent Per Annum)

Date	Dollar		Pound		DM		French	Franc	Japanese Yen		Swiss Franc	Canada
		NY		London		Frankfurt		Paris				Finance
1988	Euro	CD	Euro	Interbank	Euro	Interbank	Euro	Money	Euro	Gensaki	Euro	Paper
<u>May</u>												
4	7.19	7.05	8.34	8.38	3.38	3.45	8.25	8.00	4.00	Closed	2.25	8.98
11	7.25	7.25	8.31	8.25	3.63	3.60	7.94	7.94	4.00	3.78	2.44	9.02
18	7.44	7.25	7.75	7.75	3.50	3.50	8.00	7.88	4.13	3.79	2.38	9.02
25	7.44	7.25	7.63	7.56	3.44	3.55	7.63	7.56	4.19	3.82	2.56	9.00
<u>June</u>												
1	7.63	7.50	7.94	7.81	3.50	3.55	7.38	7.38	4.13	3.82	2.75	9.45
8	7.63	7.45	8.50	8.56	3.50	3.55	7.25	7.25	4.13	3.81	2.81	9.35
15	7.44	7.35	8.56	8.56	3.56	3.60	7.25	7.25	4.25	3.80	3.06	9.30
22	7.63	7.50	9.00	8.94	3.88	3.95	7.38	7.25	4.31	3.82	3.13	9.25
29	7.75	7.60	9.88	9.81	4.38	4.45	7.38	7.31	4.25	3.82	3.38	9.30
<u>July</u>												
6	7.88	7.69	10.00	10.00	4.38	4.50	7.44	7.31	4.69	3.83	3.63	9.30
8	8.00	7.80	10.19	10.06	4.44	4.65	7.38	7.38	4.56	3.83	3.50	9.35*

*Rate for Thursday.

U. S. AND FOREIGN MONEY MARKET RATES
(3-month Bid Rates, Percent Per Annum)

[illegible]

* Gensaki rate (bond repurchase rate),

12/10/13

TABLE 8

U. S. RESERVE ASSETS
(Millions of Dollars)

	Latest Published Data May 31, 1988	Estimated Data July 6, 1988	Estimated Changes Since Previous Report
Gold Stock <u>1/</u>	11,063	11,063	-
Special Drawing Rights <u>2/</u> (Allocations)	9,543 (6,687)	9,179 (6,421)	+1 (+1)
Foreign Exchange <u>2/</u>	10,912	11,000	+620
IMF Reserve Position <u>3/</u> (Of which U.S. loans to IMF)	10,431 (413)	10,001 (381)	+1 (-)
<u>Total</u>	41,949	41,243	+622

1/ Valued at \$42.2222 per fine ounce.

2/ At current exchange rates.

3/ Includes estimated MOV adjustment payable to IMF of \$0 million as of latest date shown.

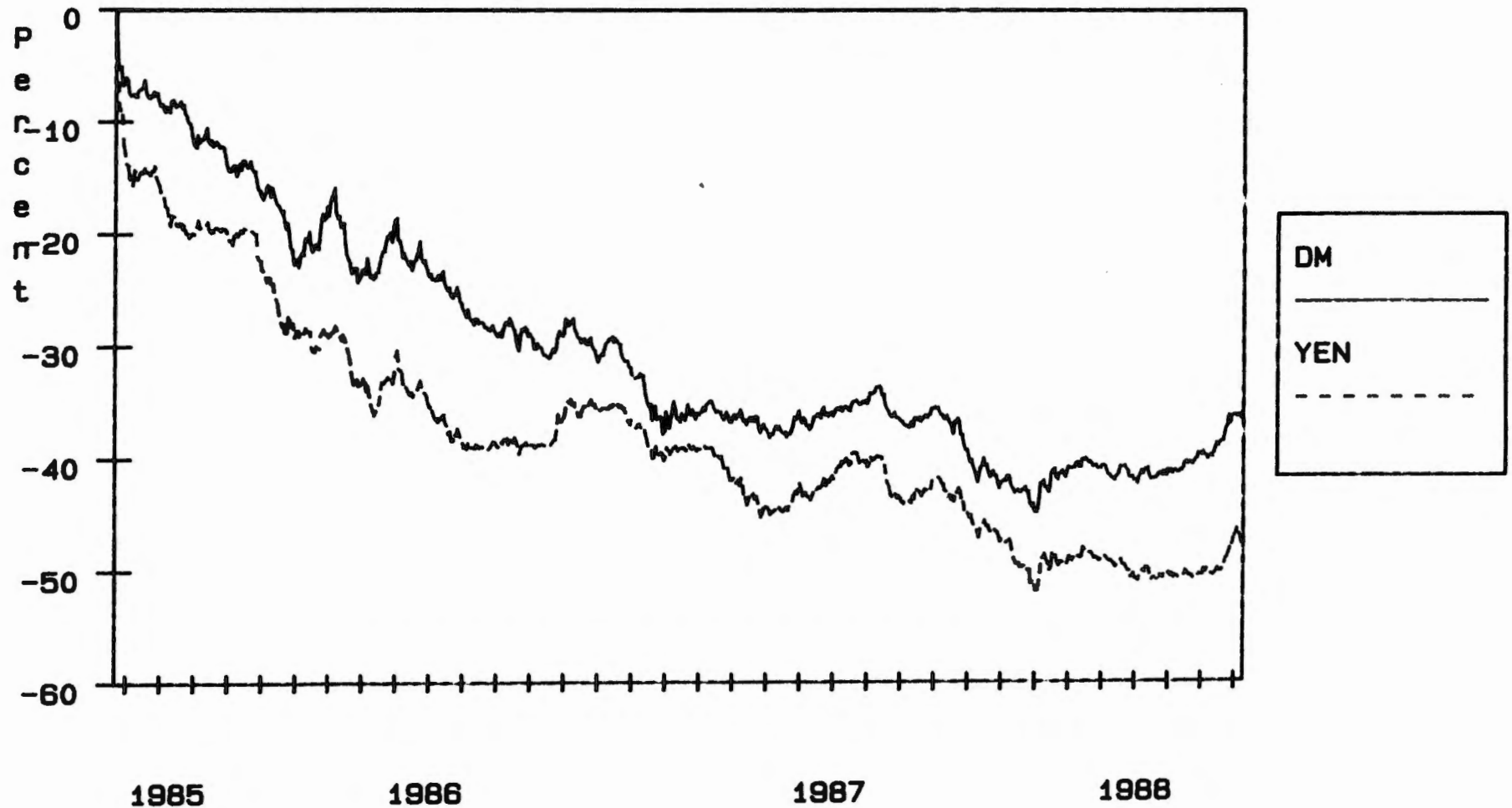
TABLE 9

LONDON GOLD FIXING PRICES

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	Jan. 1, 1988 to date	July 1, to date
Initial	592.00	399.00	452.75	384.00	306.25	327.10	402.40	484.10	436.50
High (date)	599.25 (1/6)	488.50 (9/7)	508.50 (2/1)	406.85 (3/5)	340.90 (8/19)	442.75 (9/22)	502.75 (12/14)	485.30 (1/11)	440.90 (7/7)
Low (date)	391.25 (8/4)	296.75 (6/21)	374.25 (11/21)	303.25 (12/20)	284.25 (2/25)	326.00 (1/3)	390.00 (2/18)	423.75 (2/29)	436.50 (7/1)
Average	449.58	378.11	422.38	355.08	317.94	363.87	449.71	452.07	438.02
Final or Latest	400.00	448.00	381.50	309.00	327.00	390.90	486.50	439.40	439.40

CHART 1

PERCENTAGE CHANGE IN U.S. DOLLAR
vs JAPANESE YEN AND GERMAN MARK

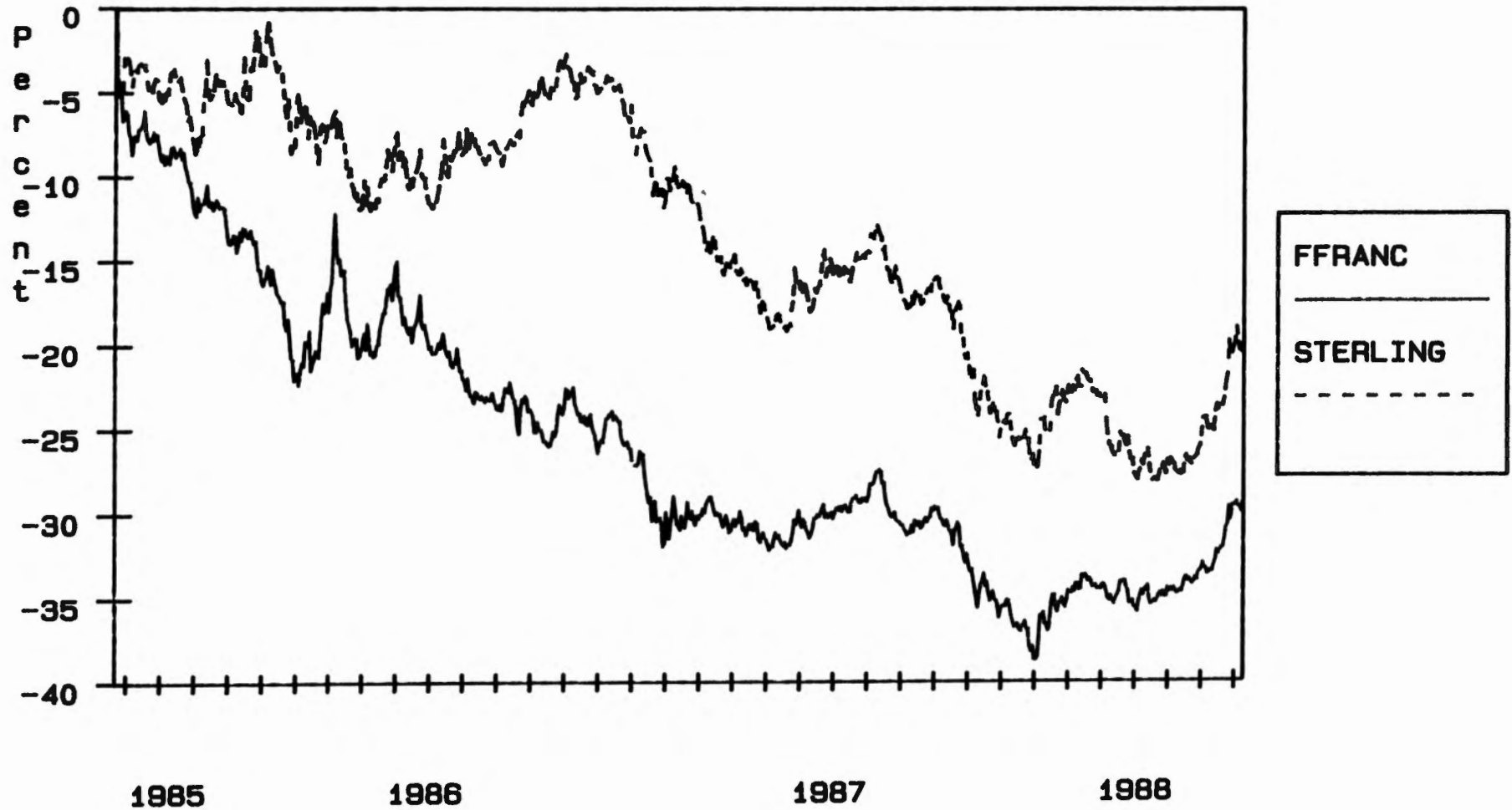


9/20/85 \$ vs Mark = 2.8580; 7/08/88 DM 1.8302

9/20/85 \$ vs Yen = 241.05; 7/08/88 YEN 132.98

CHART 2

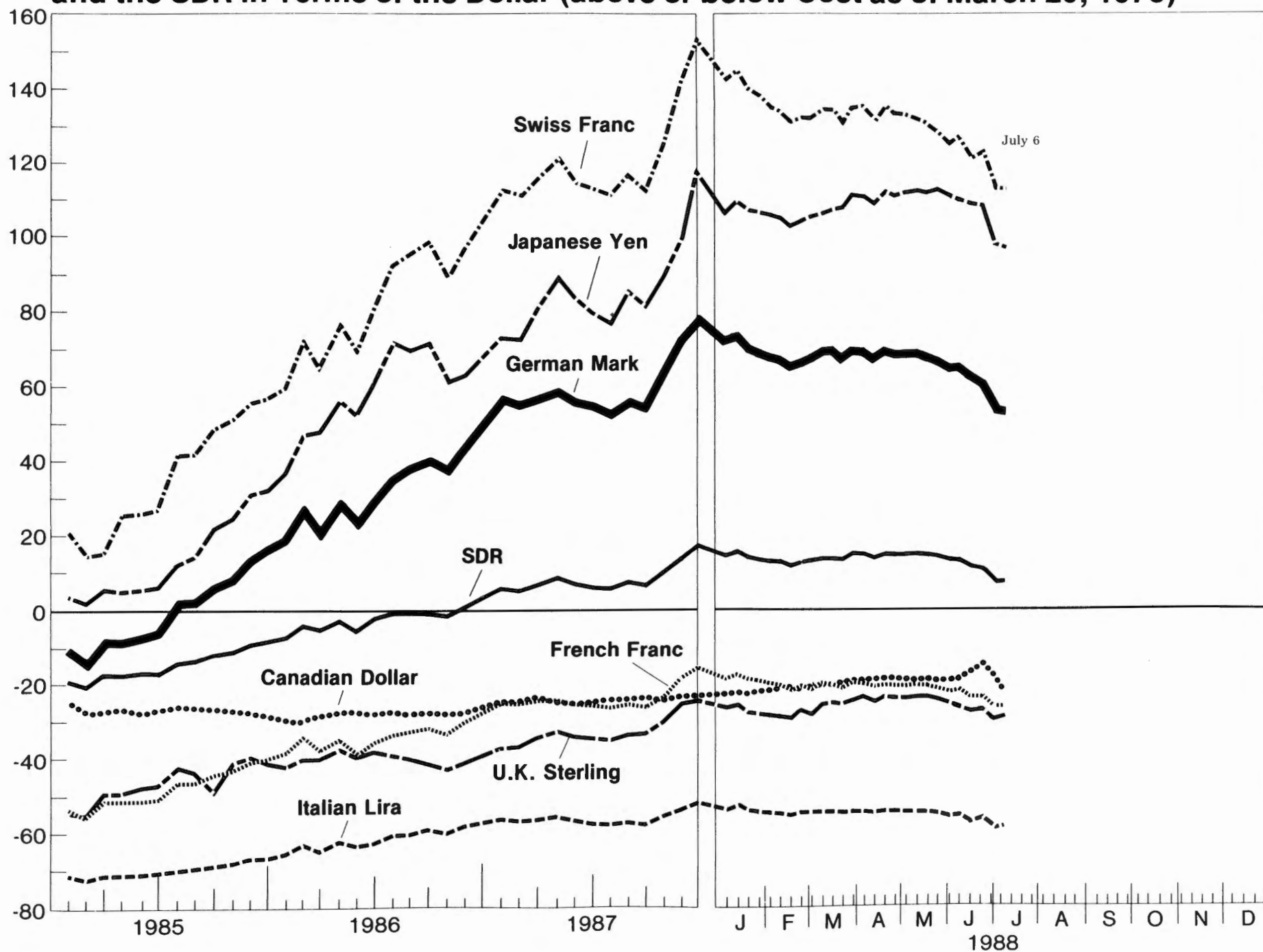
PERCENTAGE CHANGE IN U.S. DOLLAR
vs FRENCH FRANC AND BRITISH POUND



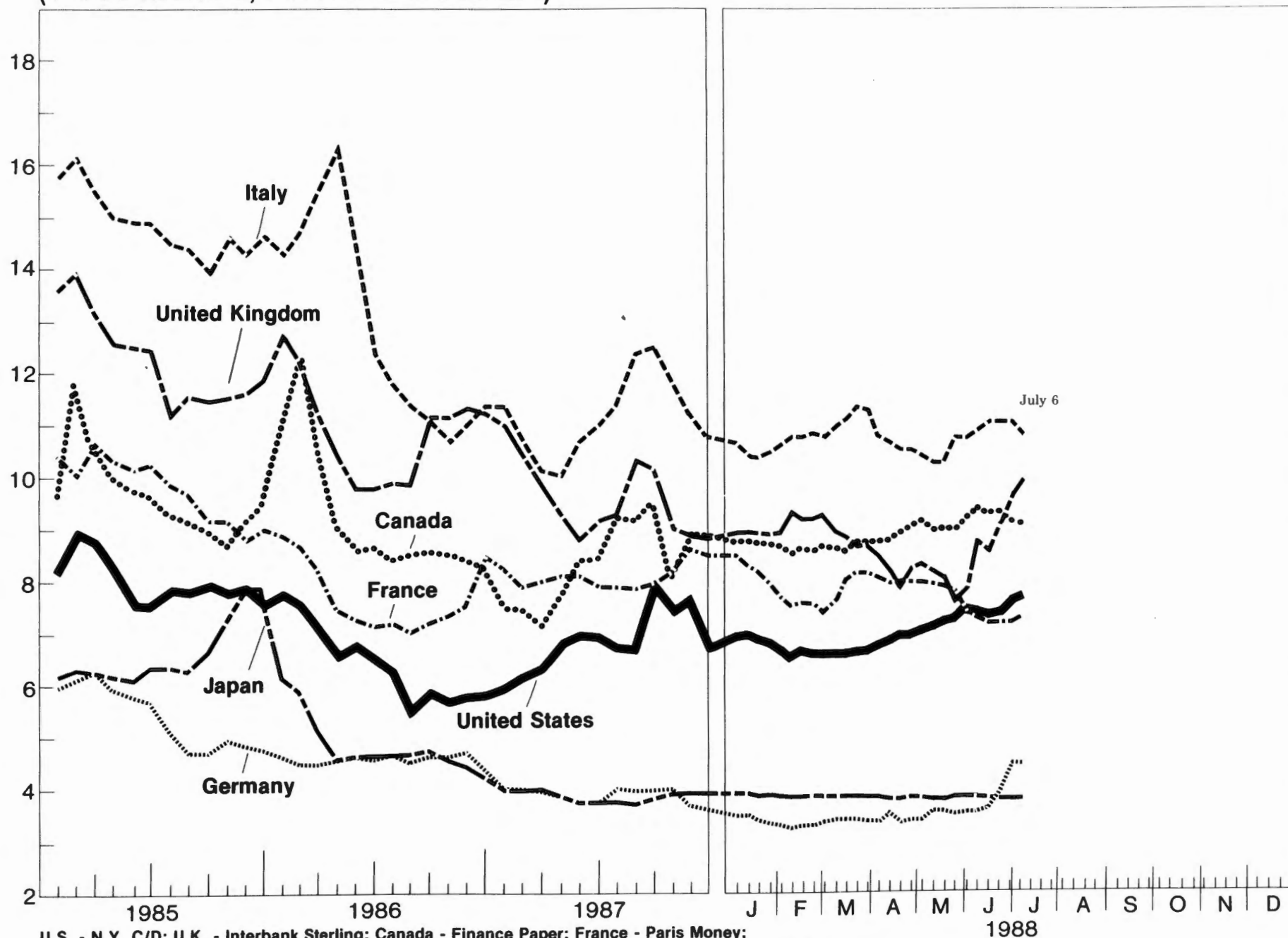
9/20/85 \$ vs Pound = .733 BP/\$; 7/08/88 BP 0.5874

9/20/85 \$ vs FFranc = 8.72 FF/\$; 7/08/88 FF 6.155

Percentage Increase (or Decrease) in the Value of Major Foreign Currencies and the SDR in Terms of the Dollar (above or below Cost as of March 20, 1973)



Short Term Interest Rates (Three Months, Percent Per Annum)



U.S. - N.Y. C/D; U.K. - Interbank Sterling; Canada - Finance Paper; France - Paris Money;
Germany - Frankfurt Money; Japan Unconditional Call through 1985, Gensaki since 1986; Italy - Milan Money.

Friday, July 8, 1988 Selected Exchange Rate, Financial and Commodity Quotations

	<u>Previous Day Close</u>	<u>European Openings</u>	<u>9:00am</u>	<u>Noon</u>	<u>2:30pm</u>	<u>Close</u>
Japanese yen (a)	132.60	132.25	132.98	133.20	133.20	133.32
Deutschemark (a)	1.8215	1.8200	1.8302	1.8378	1.8418	1.8415
French franc (a)	6.1310	6.1275	6.1550	6.1805	6.1990	6.1940
Swiss franc (a)	1.5152	1.5135	1.5212	1.5304	1.5320	1.5315
Sterling (b)	1.7128	1.7120	1.7025	1.7020	1.6988	1.6985
Canadian dollar (b)	.8286	.8275	.8280	.8268	.8265	.8259
Latest EMS Spread: (2.25% Max.) Top: Danish krone; Bottom: Belgian franc (1.90%); DM over FF (0.28%).						
Taiwan dollar (a)(c)	28.78			28.76		
Korean won (a)(c)	727.00			726.20		
SDR (b)	1.31508		1.31272			
3-mo. Euro-dollar bid	7-15/16%	7-15/16%	7-15/16%	8%	8%	8%
6-mo. LIBOR (d)	8-3/16%		8-3/16%			
Fed funds	7.66%(Eff.)		7-9/16%	7-9/16%	7-1/2%	7-1/2%
Dow Jones Ind. Avg.	-7.47 (2,122.69)			-4.09	-9.07	-16.54 (2,106.15)
Gold (e)	439.25	439.25	439.15	438.55	438.75	439.25
Oil (f)	15.55	15.35				15.15
World stock markets:						
Tokyo Nikkei	27,728.13				+188.95 at	27,917.08
Frankfurt Commerzbank	1,494.5				+12.8 at	1,507.3
London FT100	1,855.5				+21.7 at	1,877.2
30-yr Treasury bond (g)	9.01%		9.09%			9.09%

(a) Units per \$; (b) \$ per unit; (c) Official central bank rate; (d) Established daily by London banks;
(e) Spot; \$ per fine ounce; (f) Spot Brent crude; \$ per barrel (London opening and closing prices); (g) New York 4:00pm.

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DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

OFFICE OF
ASSISTANT SECRETARY
FOR INTERNATIONAL AFFAIRSWEEKLY REPORT
Foreign Exchange Market
July 11-15, 1988FINATT
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FILE

- DECLASSIFIED 8/24/96
Authority 44 Straw to Leonard
BY cbs JNRADATE 12/10/13
- The dollar appreciated sharply following today's May trade release and set new highs for the year against both the mark (DM 1.8818) and the yen (¥ 135.55). It had already moved higher, particularly against the mark, earlier in the week.
 - The U.S. trade deficit increased slightly in May to (a seasonally adjusted) \$10.93 billion from \$10.30 billion in April. The deficit, lower than the market's "consensus" expectation, was generally seen as confirming the trend of narrowing trade imbalances.
 - U.S. and European authorities intervened when the dollar came under upward pressure.
 - U.S. authorities sold \$0.8 billion against mark purchases. The Germans sold \$1.4 billion while other European banks sold a total of \$1.4 billion against marks and their own currencies.
 - U.S. interest rates moved higher (as did certain European interest rates).
 - Chairman Greenspan's Humphrey-Hawkins testimony confirmed that the Fed's monetary stance has tightened and raised concern that a further tightening, while perhaps not imminent, was likely.
 - Major U.S. banks raised their prime rates to 9.5 percent from 9.0 percent.

	Close July 8	2:30pm July 15	\$ % Change July 8-15
German mark	1.8415	1.8775	2.0
Japanese yen	133.32	135.40	1.6
French franc	6.1940	6.3338	2.3
Swiss franc	1.5315	1.5558	1.6
Sterling	\$1.6985	\$1.6628	2.1
Canadian dollar	\$0.8259	\$0.8250	0.1
Euro-\$ (3-mo.bid)	7-1/2%	8-1/4	+3/4
Gold	\$439.25	\$439.85	+\$0.60

Drafted by C. Carnes

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- Official comments tended to reinforce the view that U.S. authorities would tolerate a higher dollar.
 - Chairman Greenspan's comments that, though wide swings should be avoided, the exchange value of the dollar need not be perfectly stable were seen as expressing tolerance for recent upward movement in dollar rates.
 - Fed Vice Chairman Johnson was quoted as saying G-7 understandings allow for some tolerance for upward adjustment of the dollar as long as the external adjustment process is not upset.
 - Fed Board Governor Angell reportedly said the dollar's rebound was natural and that the dollar's exchange value should not be set by the Fed or any other domestic/international agency.
 - Senior European officials indicated U.S. (and Japanese) officials were happier about the dollar's recent rise than were the European central bankers.

DM and the EMS

- Though lower against the dollar and the yen, the mark edged higher in the EMS currency band.
 - The Germans, at times in concert with other European monetary authorities, sold large sums of dollars to resist dollar depreciation against the mark.
 - In addition, other European authorities, when acting to support their currencies, sold dollars rather than marks.
- German money market rates firmed despite absence of explicit moves by the Bundesbank to signal a monetary tightening.
 - Increases in the rate of this week's securities repurchase pact and the Lombard rate, though widely anticipated, failed to materialize. However, short-term domestic rates firmed on a sense that the credit tightening had only been postponed pending today's release of U.S. trade statistics.
 - Bundesbank provision of money market liquidity this week via a securities repurchase pact was seen as inadequate to compensate for banks' Lombard drawings and liquidity-draining foreign exchange intervention.

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- Within the EMS, the Belgians (with the franc at the bottom of the narrow currency band) undertook certain policy actions to support their currency.
 - The Belgians sold over \$300 million (including some dollar sales coordinated with the Bundesbank and other European central banks).
 - In addition, the Belgians raised their official rates another one-quarter percentage point (bringing the discount rate to 7 percent).
- The Dutch raised their special advances rate to 4.4 percent from 3.9 percent. Some market participants interpreted the move as foreshadowing another one-quarter point rise in the central bank's three official lending rates.

Japanese yen

- The yen firmed against non-dollar currencies as prospects of robust economic growth and higher interest rates encouraged cross positioning in favor of the yen.
 - Recent comments by Bank of Japan officials (particularly those made around the time the dollar approached recent highs for the year against the yen of ¥ 135.50 on July 4) contributed to a sense that the scope for yen depreciation could be limited, even in the near term, by prospects of possibly large-scale Japanese intervention at or above the ¥ 135 level.
 - In reported comments this week, Bank of Japan Governor Sumita stressed G-7 commitment to exchange rate stability. He also indicated that major industrialized nations are shifting toward a more cautious policy stance on price stability.
 - Though Governor Sumita reiterated that the Bank considered it appropriate to keep its basic monetary stance unchanged for the time being, many market participants expect an eventual firming in domestic rates.
 - Japan's bilateral trade surplus with the United States widened slightly in June to \$3.6 billion from \$3.3 billion in May (but was somewhat below the \$4.0 billion recorded last June). Overall, the June (custom-cleared) surplus was \$5.9 billion.

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Sterling

- Though declining against the dollar, sterling eased only slightly against other European currencies in relatively quiet, uneventful trading.
- Economic statistics released this week reinforced expectations of relatively robust economic growth and contributed to a sense that authorities would be increasingly sensitive to possible inflationary pressures.
- Chancellor Lawson said he was dissatisfied with the current level of U.K. inflation and said interest rates will be set at whatever level is necessary to bear down on inflation.

Canadian dollar

- The Canadian dollar closed little changed against the U.S. dollar.
- Canadian merchandise trade figures released this week showed an increase in the May surplus to C\$ 728 million from C\$ 630 million in April.

Taiwan dollar

- The Taiwan dollar firmed ten Taiwan cents against the U.S. dollar, closing at T\$ 28.66 on Friday, as the currency continued to reverse earlier depreciation.
- The movement was seen in line with expectations that authorities would allow the currency to appreciate back up to levels prevailing this spring.
- Taiwan announced suspension of precious metal purchases.
- The U.S. trade deficit with Taiwan increased to \$1.0 billion in May from \$0.6 billion in April. (Bilateral deficits between the United States and other NICs also widened in May.)

OFFICE OF FOREIGN EXCHANGE OPERATIONS

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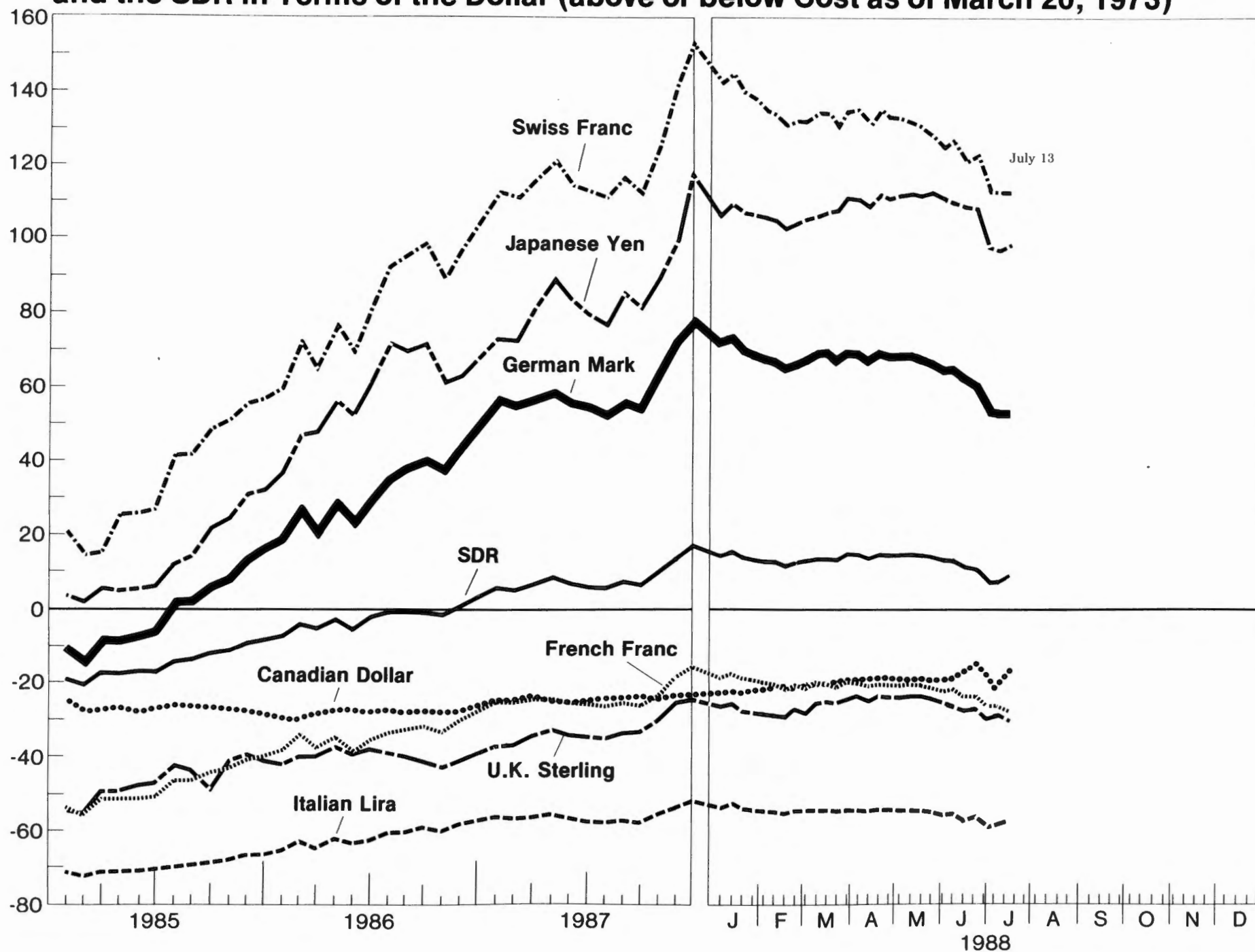
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Friday, July 15, 1988 Selected Exchange Rate, Financial and Commodity Quotations

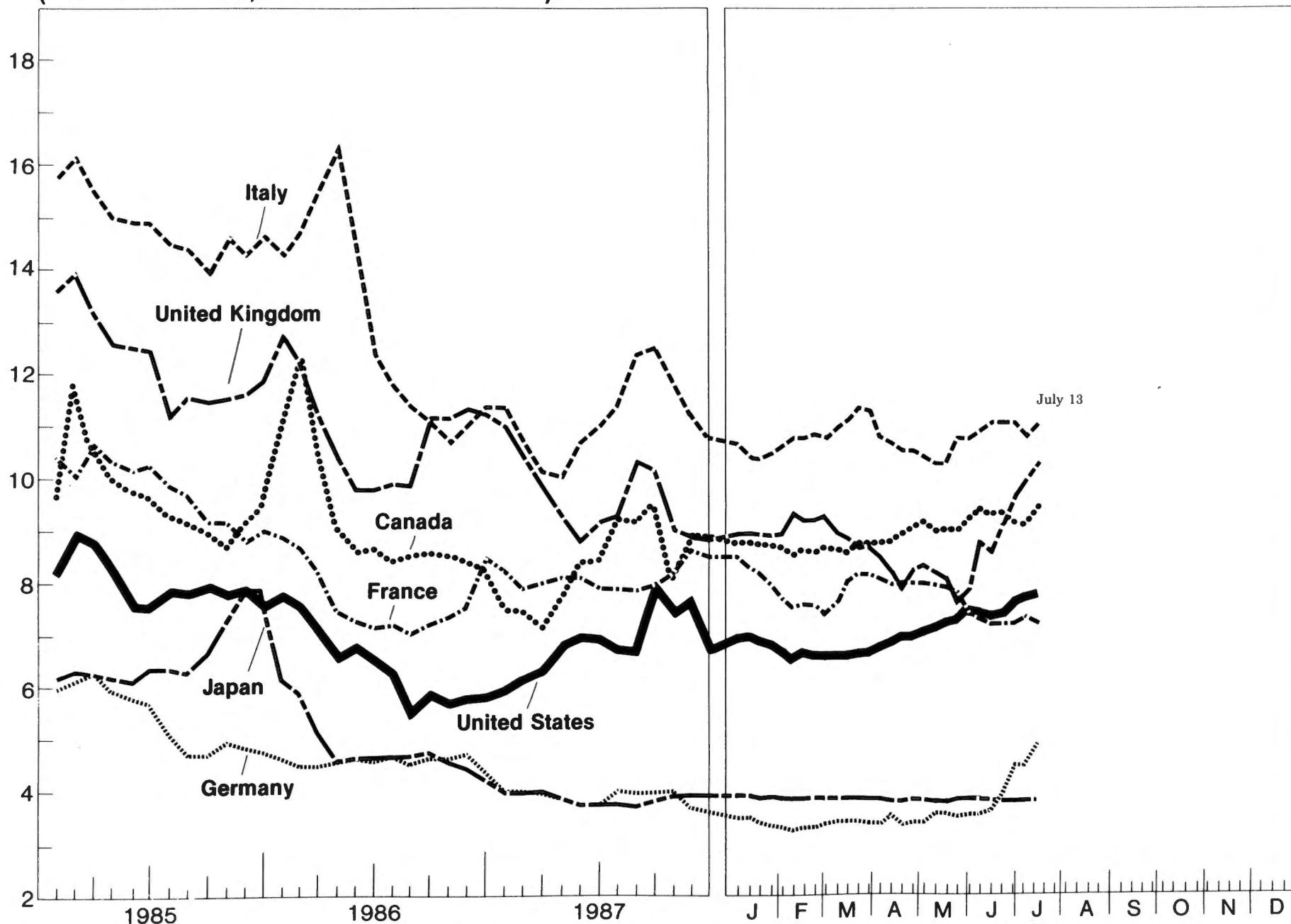
	<u>Previous Day Close</u>	<u>European Openings</u>	<u>9:00am</u>	<u>Noon</u>	<u>2:30pm</u>	<u>Close</u>
Japanese yen (a)	133.22	133.65	134.68	135.26	135.40	135.48
Deutschemark (a)	1.8508	1.8510	1.8657	1.8762	1.8775	1.8802
French franc (a)	6.2420	6.2410	6.2815	6.3255	6.3338	6.3425
Swiss franc (a)	1.5348	1.5343	1.5460	1.5552	1.5558	1.5585
Sterling (b)	1.6855	1.6835	1.6752	1.6634	1.6628	1.6625
Canadian dollar (b)	.8265	.8278	.8276	.8253	.8250	.8259
Latest EMS Spread: (2.25% Max.) Top: Danish krone; Bottom: Belgian franc (1.56%); DM over FF (0.35%).						
Taiwan dollar (a) (c)	28.68			28.66		
Korean won (a) (c)	725.80			725.90		
SDR (b)	1.30401		1.29918			
3-mo. Euro-dollar bid	8-1/8%	8-3/16%	8-1/4%	8-1/4%	8-1/4%	8-1/4%
6-mo. LIBOR (d)	8-7/16%		8-5/8%			
Fed funds	7.80% (Eff.)		7-13/16%	7-7/8%	7-15/16%	7-7/8%
Dow Jones Ind. Avg.	+9.25 (2,113.62)			-4.45	unchanged	+15.83 (2,129.45)
Gold (e)	438.75	438.30	439.00	439.35	439.85	440.25
Oil (f)	14.05	14.30				14.25
World stock markets:						
Tokyo Nikkei	28,084.08				-170.29 at	27,913.79
Frankfurt Commerzbank	1,488.1				+6.7 at	1,494.8
London FT100	1,863.3				-1.8 at	1,861.5
30-yr Treasury bond (g)	9.17%		9.16%			9.14%

(a) Units per \$; (b) \$ per unit; (c) Official central bank rate; (d) Established daily by London banks;
(e) Spot; \$ per fine ounce; (f) Spot Brent crude; \$ per barrel (London opening and closing prices); (g) New York 4:00pm.

Percentage Increase (or Decrease) in the Value of Major Foreign Currencies and the SDR in Terms of the Dollar (above or below Cost as of March 20, 1973)



Short Term Interest Rates (Three Months, Percent Per Annum)



U.S. - N.Y. C/D; U.K. - Interbank Sterling; Canada - Finance Paper; France - Paris Money;
Germany - Frankfurt Money; Japan Unconditional Call through 1985, Gensaki since 1986; Italy - Milan Money.

Measurements of Dollar Movements
July 15, 1988

TABLE 2

Percent dollar appreciation or depreciation (-)

Percent of dollar appreciation to highs reversed e/

Value of the Dollar in terms of:	Mar 20, 1973 to date a/	Jul 22, 1980 to date b/	Feb 26, 1985 to date	Sep 20, 1985 to date	Feb 20, 1987 to date	Apr 8, 1987 to date	Dec 22, 1987 to date	1988 to date	as of Sep 20, 1985	as of today
GERMAN MARK	-34.3	6.8	-46.6	-35.7	1.3	1.1	13.8	17.4	33.8	93.2
JAPANESE YEN	-49.2	-39.2	-48.8	-44.7	-12.9	-8.6	5.7	10.3	46.9	309.5
STERLING	46.5	41.6	-38.0	-19.6	-9.1	-4.0	8.7	11.2	23.1	47.8
FRENCH FRANC	38.3	55.0	-41.1	-29.0	2.5	2.5	13.4	16.7	27.5	66.3
CANADIAN DOLLAR	21.1	4.8	-13.9	-12.4	-9.4	-7.6	-7.6	-7.2	8.1	74.6
ITALIAN LIRA	143.1	66.3	-36.6	-29.2	5.5	5.2	14.6	17.7	16.9	59.2
SWISS FRANC	-52.5	-3.5	-47.5	-35.0	-0.5	1.0	16.2	20.5	42.0	104.1
SDR c/	-7.1	2.5	-27.2	-21.5	-2.9	-1.6	6.8	9.2	19.2	91.6
ECU d/	n.a.	29.6	-42.8	-30.9	1.0	1.2	13.3	16.6	16.5	59.1
US Dollar (Trade-Weighted vs. G10)	-7.1	-0.1	-35.8	-28.6	-7.0	-4.7	3.5	6.0	28.0	100.1

Rate Sources: London Midday Rates

a/ Beginning of generalized floating.

b/ Beginning of sustained dollar strength.

c/ Special Drawing Rights. d/ European Currency Unit

e/ Portion of dollar appreciation between July 22, 1980 and Feb. 26, 1985 reversed by subsequent dollar depreciation.

July 15, 1988

Measurements of Dollar Movements

Percent dollar appreciation or depreciation (-)

Value of the Dollar in terms of: -----	Jul 22, 1980 to date b/ -----	Feb 26, 1985 to date -----	Sep 20, 1985 to date -----	Jul 31, 1986 to date -----	Nov 28, 1986 to date -----	Feb 20, 1987 to date -----	Apr 8, 1987 to date -----	Dec 22, 1987 to date -----	1988 to date -----
GERMAN MARK	6.8	-46.6	-35.7	-11.4	-6.2	1.3	1.1	13.8	17.4
JAPANESE YEN	-39.2	-48.8	-44.7	-13.0	-17.3	-12.9	-8.6	5.7	10.3
CANADIAN DOLLAR	4.8	-13.9	-12.4	-12.6	-12.8	-9.4	-7.6	-7.6	-7.2
TAIWAN DOLLAR	-20.4	-26.9	-29.3	-24.7	-21.0	-18.1	-16.0	0.4	0.4
SINGAPORE DOLLAR	-2.9	-8.8	-6.8	-5.6	-5.0	-3.8	-4.2	2.6	2.9
HONG KONG DOLLAR	59.1	0.5	0.0	0.1	0.4	0.3	0.2	0.4	0.7
KOREAN WON	23.4	-13.0	-18.8	-18.0	-16.2	-15.2	-14.0	-8.6	-8.4

Rate Sources: London Midday Rates for Mark, Yen, and Canadian dollar;
domestic market rates for Won, and Taiwan dollar;
New York midday for Hong Kong and Singapore dollar.

1988 JULY	SDR VALUATION \$ per SDR	STERLING a)	BELGIAN FRANC b)	SWISS FRANC b)	GERMAN MARK b)	FRENCH FRANC b)	ITALIAN LIRA b)	DUTCH b) GUILDER	CANADIAN DOLLAR a)	JAPANESE YEN b)	London Gold Price Fixings (\$ per ounce)
1	1.30770	-2.24 1.6990	-1.50 38.16	-4.27 1.5138	-3.34 1.8222	-0.31 6.1438	+2.52 1353.00	-3.22 2.0550	-1.49 .8197	-3.30 134.35	436.50 436.85
4	1.30563	C		L	O		S		E	D	437.15 437.55
5	1.30705	-2.09 1.7125	-1.48 38.07	-4.18 1.5134	-3.42 1.8181	-0.33 6.1275	+2.69 1349.00	-3.31 2.0495	-1.50 .8242	-3.23 133.80	437.40 437.50
6	1.31061	-2.12 1.7118	-1.52 38.15	-4.36 1.5152	-3.58 1.8232	-0.38 6.1385	+2.76 1352.00	-3.46 2.0545	-3.46 .8287	-1.49 133.62	438.10 436.80
7	1.7136	-1.99 1.7136	-1.60 38.14	-4.27 1.5150	-3.47 1.8215	-0.51 6.1315	+2.81 1349.75	-3.38 2.0505	-1.50 .8287	-3.54 132.56	439.15 440.90
8	1.31272	-2.16 1.6988	-1.55 38.56	-4.21 1.5320	-3.39 1.8418	-0.53 6.1990	+2.73 1362.95	-3.33 2.0735	-1.50 .8265	-3.47 133.20	438.90 439.40
11	1.30482	-2.14 1.6890	-1.57 38.64	-4.08 1.5345	-3.24 1.8452	-0.69 6.2082	+2.72 1367.00	-3.29 2.0795	-1.49 .8282	-3.53 133.40	439.65 436.80
12	1.30538	-2.16 1.6962	-1.47 38.46	-4.09 1.5208	-3.27 1.8378	-0.63 6.1970	+2.72 1362.75	-3.19 2.0740	-1.41 .8260	-3.45 132.62	434.50 433.80
13	1.30597	-2.14 1.6938	-1.13 38.58	-4.17 1.5298	-3.20 1.8424	-0.54 6.2145	+2.77 1365.50	-3.25 2.0790	-1.44 .8280	-3.54 132.70	436.20 435.00
14	1.30401	-2.10 1.6892	-1.10 38.71	-4.06 1.5332	-3.18 1.8492	-0.59 6.2360	+2.75 1370.50	-3.14 2.0855	-1.46 .8271	-3.52 133.16	439.05 440.75
15	1.29918	-2.34 1.6628	-1.03 39.24	-4.07 1.5558	-3.17 1.8775	-0.54 6.3338	+2.88 1391.25	-3.16 2.1165	-1.34 .8250	-3.55 135.40	438.10 439.10
18											
19											
20											
21											
22											
25											
26											
27											
28											
29											

(2:30 pm exchange rates; 3-month forward is dollar discount or premium, % per annum, except for U.K. & Canada.)
(a) \$ per unit. (b) Units per \$.

TABLE 5

SHORT TERM INTEREST RATES
(Three Months, Percent Per Annum)

Date	Dollar		Pound		DM		French	Franc	Japanese Yen		Swiss Franc	Canada
	Euro	NY CD	Euro	London Interbank	Euro	Frankfurt Interbank	Euro	Paris Money	Euro	Gensaki	Euro	Finance Paper
1988												
May												
4	7.19	7.05	8.34	8.38	3.38	3.45	8.25	8.00	4.00	Closed	2.25	8.98
11	7.25	7.25	8.31	8.25	3.63	3.60	7.94	7.94	4.00	3.78	2.44	9.02
18	7.44	7.25	7.75	7.75	3.50	3.50	8.00	7.88	4.13	3.79	2.38	9.02
25	7.44	7.25	7.63	7.56	3.44	3.55	7.63	7.56	4.19	3.82	2.56	9.00
June												
1	7.63	7.50	7.94	7.81	3.50	3.55	7.38	7.38	4.13	3.82	2.75	9.45
8	7.63	7.45	8.50	8.56	3.50	3.55	7.25	7.25	4.13	3.81	2.81	9.35
15	7.44	7.35	8.56	8.56	3.56	3.60	7.25	7.25	4.25	3.80	3.06	9.30
22	7.63	7.50	9.00	8.94	3.88	3.95	7.38	7.25	4.31	3.82	3.13	9.25
29	7.75	7.60	9.88	9.81	4.38	4.45	7.38	7.31	4.25	3.82	3.38	9.30
July												
6	7.88	7.69	10.00	10.00	4.38	4.50	7.44	7.31	4.69	3.83	3.63	9.30
13	8.06	7.83	10.19	10.19	4.81	5.00	7.44	7.31	4.63	3.83	3.94	9.40
15	8.25	7.97	10.50	10.44	5.00	5.00	7.63	7.31	4.69	3.83	4.06	9.35*

*Rate for Thursday.

EURO-DOLLAR BID RATES
(mid-day London)

1988 JULY	Overnight	7 days	1 month	3 months	6 months	1 year
1	7.63	7.63	7.69	7.75	7.88	8.19
4	n.a.	7.69	7.69	7.75	7.88	8.19
5	7.69	7.69	7.75	7.81	7.94	8.25
6	7.69	7.69	7.75	7.88	8.00	8.31
7	7.56	7.63	7.75	7.94	8.06	8.38
8	7.44	7.63	7.69	7.94	8.06	8.38
11	7.50	7.63	7.81	8.06	8.25	8.50
12	7.44	7.63	7.75	8.00	8.25	8.50
13	7.31	7.56	7.75	8.06	8.31	8.50
14	7.50	7.63	7.75	8.00	8.25	8.56
15	7.75	7.75	7.94	8.25	8.50	8.69
18						
19						
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U. S. AND FOREIGN MONEY MARKET RATES
(3-month Bid Rates, Percent Per Annum)

[illegible]

* Gensaki rate (bond repurchase rate),

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TABLE 8

U. S. RESERVE ASSETS
(Millions of Dollars)

	Latest Published Data May 31, 1988	Estimated Data July 13, 1988	Estimated Changes Since Previous Report
<u>Gold Stock</u> 1/	11,063	11,063	-
<u>Special Drawing Rights</u> 2/ (Allocations)	9,543 (6,687)	9,148 (6,399)	-31 (-22)
<u>Foreign Exchange</u> 2/	10,912	11,509	+509
<u>IMF Reserve Position</u> 3/ (Of which U.S. loans to IMF)	10,431 (413)	9,966 (380)	-35 (-)
<u>Total</u>	41,949	41,686	+443

1/ Valued at \$42.2222 per fine ounce.

2/ At current exchange rates.

3/ Includes estimated MOV adjustment payable to IMF of \$0 million as of latest date shown.

TABLE 9

LONDON GOLD FIXING PRICES

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	Jan. 1, 1988 to date	July 1, to date
Initial	592.00	399.00	452.75	384.00	306.25	327.10	402.40	484.10	436.50
High (date)	599.25 (1/6)	488.50 (9/7)	508.50 (2/1)	406.85 (3/5)	340.90 (8/19)	442.75 (9/22)	502.75 (12/14)	485.30 (1/11)	440.90 (7/7)
Low (date)	391.25 (8/4)	296.75 (6/21)	374.25 (11/21)	303.25 (12/20)	284.25 (2/25)	326.00 (1/3)	390.00 (2/18)	423.75 (2/29)	433.80 (7/12)
Average	449.58	378.11	422.38	355.08	317.94	363.87	449.71	451.52	437.69
Final or Latest	400.00	448.00	381.50	309.00	327.00	390.90	486.50	439.10	439.10



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DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

WEEKLY REPORT

Foreign Exchange Market

July 18-22, 1988

OFFICE OF
ASSISTANT SECRETARY
FOR INTERNATIONAL AFFAIRS

FINATT
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FILE

- The dollar initially continued to appreciate, setting new highs for the year of DM 1.8925 and ¥ 135.55. It subsequently ended the week about 3 percent lower against most currencies on profit-taking stimulated by intervention concerns and on flows into "high yield" currencies.
- A sense developed early in the week that G-7 countries had adopted a more aggressive intervention stance in resisting dollar appreciation against the mark.
 - There were reports early in the week that Japanese, U.S. and other European authorities had joined the Bundesbank in selling dollars.
 - The market observed that the intervention occurred as the dollar was easing from the highs.
 - U.S. authorities sold \$0.5 billion against DM purchases. The Germans sold \$0.7 billion. Other European authorities sold \$0.8 billion (primarily against their own currencies but also against marks). The Bank of Japan did not intervene for its own account (although it acted as agent for some dollar sales by the Germans).
- With corporate demand largely sidelined on uncertainty about the sustainability of the dollar's recent rise, concerns that coordinated intervention could significantly lower dollar rates prompted widespread profit-taking by interbank traders. The dollar subsequently declined, at times sharply as stop-loss orders were triggered.
 - In addition, development of the sense that scope for upward dollar movement was limited (at least in the near term) encouraged shifts into currencies of countries with higher yielding financial instruments.

	Close July 15	London Midday July 18	2:30pm July 22	\$ % Change July 15-22
German mark	1.8802	1.8880	1.8256	-2.9
Japanese yen	135.48	135.25	130.68	-3.5
French franc	6.3425	6.3680	6.1645	-2.8
Swiss franc	1.5585	1.5665	1.5178	-2.6
Sterling	\$1.6625	\$1.6620	\$1.7430	-4.6
Canadian dollar	\$0.8259	\$0.8261	\$0.8325	-0.8
Euro-\$ (3-mo.bid)	8-1/4%	8-1/4%	8-1/4%	unchanged
Gold	\$440.25	\$435.35	\$442.95	+\$2.70

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- Market reaction to comments by a number of officials was relatively subdued.
 - French Finance Minister Beregovoy reportedly criticized the Bundesbank for going out on its own to counter the dollar's rise and for not doing more to coordinate monetary policy.
 - Assistant Secretary Mulford indicated that governments, recognizing the need for currency stability, would continue to cooperate in foreign exchange markets.
 - While reported comments (early and late in the week) by senior Japanese Finance Ministry officials were seen as expressing acceptance of a dollar rate somewhat above ¥ 130, one news service cited a senior Bank of Japan official as saying the Bank would prefer a ¥ 125-130 range to the current ¥ 130-135 range.
 - A U.S. Treasury official reportedly said today that, while there had been concern in the last week or so, the Administration was not concerned about the current level of the dollar.
- While release of Capacity Utilization (rising to 83.1 percent in June from 82.9 percent in May) reinforced expectations of robust U.S. economic performance, today's release of Consumer Prices (rising 0.3 percent in both May and June) further eased concerns about inflationary pressures.

DM and the EMS

- The mark, though appreciating against the dollar, eased against the yen and certain "high yield" currencies.
 - Doubts that the German currency would be able to retain its value over the longer term encouraged positioning, particularly toward week's end, in currencies such as sterling and yen.
 - Though tapering off later in the week, German intervention dollar sales continued. The Bundesbank sold over \$700 million.
 - In a widely anticipated move, the Bundesbank raised its securities repurchase rate to a fixed 4 percent from 3.75 percent (and 3.25 percent prevailing as recently as mid-June).
 - Comments by Bundesbank directors Koehler and Mueller were seen as confirming recent credit tightening and as foreshadowing further interest rate increases.
- Germany's M3 measure of money supply grew at an annual rate of 7.4 percent in the May-June period, continuing to grow faster than the 3 to 6 percent range targeted by the Bundesbank.

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- However, the Bundesbank attributed part of the growth to shifts out of long-term domestic bonds and into short-term financial instruments. (Shifts out of domestic bonds have also resulted in capital outflows.)
- EMS currencies continued to trade in relatively uneventful ranges.
 - However, in a move to keep pace with the mark, Dutch central bank raised its tariff on special advances to 4.6 percent from 4.4 percent.
 - In addition to (largely coordinated) dollar sales early in the week by EMS members, the Italians steadily bought DM (a total of over \$300 million equivalent) to rebuild their reserves.

Japanese yen

- The yen strengthened. Comments later in the week by Japanese monetary officials confirmed recent tightening of domestic credit conditions.
 - Bank of Japan Governor Sumita said the Bank would not stand in the way of market-motivated increases in short-term interest rates. A senior Finance Ministry official expressed support for the Bank's policy.
 - One report earlier in the week cited a Bank of Japan official as saying foreign exchange market considerations were presently the key factor in the Bank's interest rate decisions. Market participants interpreted the comments as implying officials would use interest rate policy to discourage dollar appreciation against the yen.
 - Japanese banks announced an increase in the long-run prime rate to 5.7 percent from 5.5 percent.

Sterling

- Sterling rose sharply (trading over \$1.74 and DM 3.18 today) as expectations of higher U.K. interest rates grew and the view spread that the U.K. monetary authorities might tolerate a further rise in the exchange rate.
 - Prime Minister Thatcher voiced support yesterday for Chancellor Lawson's credit-tightening measures as curbing inflationary pressures.
 - Lawson said that the U.K. current account deficit reflected the strength of the economy and posed little danger, and that the government would not use currency depreciation to maintain U.K. trade competitiveness.

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- Monetary statistics released Wednesday were seen as raising the potential for inflation and, consequently, the likelihood of further interest rate hikes.
 - Growth in M0, the U.K. authorities' monetary target, surged in June to a year-on-year rate of 7.7 percent (well above the top of the 1-5 percent targeted range).
 - Bank lending rose an underlying £ 4.7 billion, s.a., in June (vs. a £ 1.8 billion rise in May).
- The U.K. authorities intervened in only limited amounts to smooth the pound's rise.
 - From midweek on, the Bank of England purchased \$100 million equivalent of DM against sales of sterling. (Earlier, as demand for dollars surged, the Bank had sold \$50 million against DM in coordinated dollar/DM intervention with other central banks.)

Canadian Dollar

- The Canadian dollar firmed to its highest levels since 1982 benefitting somewhat from a demand for "high yield currencies". The Canadians purchased close to US\$ 500 million to ease upward pressure on their currency.
 - Demand for Canadian dollars appeared to reflect recent large Canadian Euro-bond issues, strong economic indicators, and speculative buying.
 - However, an announcement by Canada's opposition Liberal Party that it would try to block passage of the U.S.-Canada Free Trade Agreement prompted some selling of Canadian dollars early in the week.

Taiwan dollar

- Taiwan made net intervention purchases of US\$ 90 million, by market estimates, in an effort to curb the Taiwan dollar's appreciation. The Taiwan currency closed up one Taiwan cent on Friday at 28.62.
 - Central Bank Governor Chang indicated that Taiwan aims to maintain current exchange rate levels.
 - Chang also said that Taiwan had stopped purchases of gold from the U.S. and suggested Taiwan would seek other suppliers at lower price levels to diversify and raise the level of its foreign exchange reserves.

OFFICE OF FOREIGN EXCHANGE OPERATIONS

Measurements of Dollar Movements
July 22, 1988

TABLE 2

Percent dollar appreciation or depreciation (-)

Percent of dollar
appreciation to
highs reversed e/

Value of the Dollar in terms of: -----	Mar 20, 1973 to date a/ -----	Jul 22, 1980 to date b/ -----	Feb 26, 1985 to date -----	Sep 20, 1985 to date -----	Feb 20, 1987 to date -----	Apr 8, 1987 to date -----	Dec 22, 1987 to date -----	1988 to date ----	as of Sep 20, 1985 -----	as of today -----
GERMAN MARK	-35.3	5.2	-47.4	-36.7	-0.3	-0.4	12.0	15.6	33.8	94.8
JAPANESE YEN	-50.4	-40.6	-50.0	-46.0	-15.0	-10.8	3.2	7.7	46.9	317.2
STERLING	42.1	37.3	-39.9	-22.1	-11.9	-6.9	5.4	7.8	23.1	51.7
FRENCH FRANC	36.2	52.6	-42.0	-30.1	1.0	0.9	11.6	15.0	27.5	67.7
CANADIAN DOLLAR	19.9	3.7	-14.8	-13.3	-10.2	-8.5	-8.5	-8.1	8.1	79.8
ITALIAN LIRA	138.8	63.4	-37.8	-30.5	3.7	3.4	12.6	15.7	16.9	61.0
SWISS FRANC	-53.2	-5.0	-48.3	-36.1	-2.1	-0.6	14.3	18.6	42.0	105.9
SDR c/	-8.4	1.1	-28.1	-22.5	-4.2	-2.9	5.4	7.8	19.2	96.1
ECU d/	n.a.	27.2	-43.9	-32.1	-0.8	-0.6	11.2	14.5	16.5	61.7
US Dollar (Trade-Weighted vs. G10)	-8.7	-1.8	-36.9	-29.9	-8.6	-6.3	1.7	4.2	28.0	103.2

Rate Sources: London Midday Rates

a/ Beginning of generalized floating.

b/ Beginning of sustained dollar strength.

c/ Special Drawing Rights. d/ European Currency Unit

e/ Portion of dollar appreciation between July 22, 1980

and Feb. 26, 1985 reversed by subsequent dollar depreciation.

July 22, 1988

Measurements of Dollar Movements

Percent dollar appreciation or depreciation (-)

Value of the Dollar in terms of: -----	Jul 22, 1980 to date b/ -----	Feb 26, 1985 to date -----	Sep 20, 1985 to date -----	Jul 31, 1986 to date -----	Nov 28, 1986 to date -----	Feb 20, 1987 to date -----	Apr 8, 1987 to date -----	Dec 22, 1987 to date -----	1988 to date -----
GERMAN MARK	5.2	-47.4	-36.7	-12.8	-7.6	-0.3	-0.4	12.0	15.6
JAPANESE YEN	-40.6	-50.0	-46.0	-15.0	-19.3	-15.0	-10.8	3.2	7.7
CANADIAN DOLLAR	3.7	-14.8	-13.3	-13.4	-13.6	-10.2	-8.5	-8.5	-8.1
TAIWAN DOLLAR	-20.5	-27.0	-29.3	-24.8	-21.1	-18.2	-16.1	0.2	0.3
SINGAPORE DOLLAR	-3.8	-9.6	-7.6	-6.4	-5.8	-4.7	-5.0	1.7	2.0
HONG KONG DOLLAR	59.0	0.4	-0.1	0.0	0.3	0.2	0.1	0.3	0.6
KOREAN WON	23.1	-13.1	-19.0	-18.2	-16.4	-15.4	-14.2	-8.8	-8.6

Rate Sources: London Midday Rates for Mark, Yen, and Canadian dollar;
domestic market rates for Won, and Taiwan dollar;
New York midday for Hong Kong and Singapore dollar.

1988 JULY	SDR VALUATION \$ per SDR	STERLING a)	BELGIAN FRANC b)	SWISS FRANC b)	GERMAN MARK b)	FRENCH FRANC b)	ITALIAN LIRA b)	DUTCH b) GUILDER	CANADIAN DOLLAR a)	JAPANESE YEN b)	London Gold Price Fixings (\$ per ounce)
1	1.30770	-2.24 1.6990	-1.50 38.16	-4.27 1.5138	-3.34 1.8222	-0.31 6.1438	+2.52 1353.00	-3.22 2.0550	-1.49 .8197	-3.30 134.35	436.50 436.85
4	1.30563	C		L	O		S		E	D	437.15 437.55
5	1.30705	-2.09 1.7125	-1.48 38.07	-4.18 1.5134	-3.42 1.8181	-0.33 6.1275	+2.69 1349.00	-3.31 2.0495	-1.50 .8242	-3.23 133.80	437.40 437.50
6	1.31061	-2.12 1.7118	-1.52 38.15	-4.36 1.5152	-3.58 1.8232	-0.38 6.1385	+2.76 1352.00	-3.46 2.0545	-3.46 .8287	-1.49 133.62	438.10 436.80
7	1.7136	-1.99 1.7136	-1.60 38.14	-4.27 1.5150	-3.47 1.8215	-0.51 6.1315	+2.81 1349.75	-3.38 2.0505	-1.50 .8287	-3.54 132.56	439.15 440.90
8	1.31272	-2.16 1.6988	-1.55 38.56	-4.21 1.5320	-3.39 1.8418	-0.53 6.1990	+2.73 1362.95	-3.33 2.0735	-1.50 .8265	-3.47 133.20	438.90 439.40
11	1.30482	-2.14 1.6890	-1.57 38.64	-4.08 1.5345	-3.24 1.8452	-0.69 6.2082	+2.72 1367.00	-3.29 2.0795	-1.49 .8282	-3.53 133.40	439.65 436.80
12	1.30538	-2.16 1.6962	-1.47 38.46	-4.09 1.5208	-3.27 1.8378	-0.63 6.1970	+2.72 1362.75	-3.19 2.0740	-1.41 .8260	-3.45 132.62	434.50 433.80
13	1.30597	-2.14 1.6938	-1.13 38.58	-4.17 1.5298	-3.20 1.8424	-0.54 6.2145	+2.77 1365.50	-3.25 2.0790	-1.44 .8280	-3.54 132.70	436.20 435.00
14	1.30401	-2.10 1.6892	-1.10 38.71	-4.06 1.5332	-3.18 1.8492	-0.59 6.2360	+2.75 1370.50	-3.14 2.0855	-1.46 .8271	-3.52 133.16	439.05 440.75
15	1.29918	-2.34 1.6628	-1.03 39.24	-4.07 1.5558	-3.17 1.8775	-0.54 6.3338	+2.88 1391.25	-3.16 2.1165	-1.34 .8250	-3.55 135.40	438.10 439.10
18	1.28677	-2.50 1.6742	-0.99 39.34	-3.99 1.5572	-2.95 1.8790	-0.50 6.3285	+3.07 1392.50	-2.99 2.1185	-1.27 .8272	-3.60 134.62	437.65 435.65
19	1.29544	-2.49 1.6974	-1.17 38.94	-4.16 1.5446	-3.12 1.8610	-0.59 6.2775	+3.05 1378.00	-3.08 2.1000	-1.18 .8330	-3.65 133.72	437.25 436.25
20	1.30347	-2.67 1.7072	-1.21 38.80	-4.28 1.5412	-3.22 1.8544	-0.59 6.2535	+3.18 1372.00	-3.16 2.0930	-1.29 .8355	-3.61 133.52	445.00 444.80
21	1.30764	-2.38 1.7260	-1.19 38.43	-4.36 1.5280	-3.23 1.8362	-0.61 6.1955	+3.11 1360.00	-3.12 2.0725	-1.31 .8346	-3.54 131.95	443.20 444.75
22	1.31659	-2.39 1.7430	-1.35 38.20	-4.41 1.5178	-3.37 1.8256	-0.74 6.1645	+3.10 1352.88	-3.18 2.0600	-1.22 .8325	-3.66 130.68	443.20 442.20
25											
26											
27											
28											
29											

(2:30 pm exchange rates; 3-month forward is dollar discount or premium, % per annum, except for U.K. & Canada.)
(a) \$ per unit. (b) Units per \$.

TABLE 5

SHORT TERM INTEREST RATES
(Three Months, Percent Per Annum)

Date	Dollar		Pound		DM		French	Franc	Japanese Yen		Swiss Franc	Canada
	Euro	NY CD	Euro	London Interbank	Euro	Frankfurt Interbank	Euro	Paris Money	Euro	Gensaki	Euro	Finance Paper
1988												
May												
4	7.19	7.05	8.34	8.38	3.38	3.45	8.25	8.00	4.00	Closed	2.25	8.98
11	7.25	7.25	8.31	8.25	3.63	3.60	7.94	7.94	4.00	3.78	2.44	9.02
18	7.44	7.25	7.75	7.75	3.50	3.50	8.00	7.88	4.13	3.79	2.38	9.02
25	7.44	7.25	7.63	7.56	3.44	3.55	7.63	7.56	4.19	3.82	2.56	9.00
June												
1	7.63	7.50	7.94	7.81	3.50	3.55	7.38	7.38	4.13	3.82	2.75	9.45
8	7.63	7.45	8.50	8.56	3.50	3.55	7.25	7.25	4.13	3.81	2.81	9.35
15	7.44	7.35	8.56	8.56	3.56	3.60	7.25	7.25	4.25	3.80	3.06	9.30
22	7.63	7.50	9.00	8.94	3.88	3.95	7.38	7.25	4.31	3.82	3.13	9.25
29	7.75	7.60	9.88	9.81	4.38	4.45	7.38	7.31	4.25	3.82	3.38	9.30
July												
6	7.88	7.69	10.00	10.00	4.38	4.50	7.44	7.31	4.69	3.83	3.63	9.30
13	8.06	7.83	10.19	10.19	4.81	5.00	7.44	7.31	4.63	3.83	3.94	9.40
20	8.13	7.95	10.94	10.69	4.88	5.00	7.56	7.38	4.69	3.84	4.00	9.40
22	8.25	8.05	10.75	10.75	4.75	4.95	7.50	7.31	4.69	3.84	3.75	9.38*

*Rate for Thursday.

EURO-DOLLAR BID RATES
(mid-day London)

<u>1988</u> <u>JULY</u>	Overnight	7 days	1 month	3 months	6 months	1 year
1	7.63	7.63	7.69	7.75	7.88	8.19
4	n.a.	7.69	7.69	7.75	7.88	8.19
5	7.69	7.69	7.75	7.81	7.94	8.25
6	7.69	7.69	7.75	7.88	8.00	8.31
7	7.56	7.63	7.75	7.94	8.06	8.38
8	7.44	7.63	7.69	7.94	8.06	8.38
11	7.50	7.63	7.81	8.06	8.25	8.50
12	7.44	7.63	7.75	8.00	8.25	8.50
13	7.31	7.56	7.75	8.06	8.31	8.50
14	7.50	7.63	7.75	8.00	8.25	8.56
15	7.75	7.75	7.94	8.25	8.50	8.69
18	7.75	7.81	7.94	8.25	8.44	8.63
19	7.69	7.81	7.94	8.25	8.44	8.69
20	7.50	7.69	7.88	8.13	8.38	8.63
21	7.56	7.69	7.88	8.25	8.38	8.63
22	7.63	7.75	7.94	8.25	8.44	8.69
25						
26						
27						
28						
29						

U. S. AND FOREIGN MONEY MARKET RATES
(3-month Bid Rates, Percent Per Annum)

[illegible]

* Gensaki rate (bond repurchase rate),

~~LIMITED OFFICIAL USE~~ db 12/10/13

TABLE 8

U. S. RESERVE ASSETS
(Millions of Dollars)

	Latest Published Data May 31, 1988	Estimated Data July 20, 1988	Estimated Changes Since Previous Report
Gold Stock <u>1/</u>	11,063	11,063	-
Special Drawing Rights <u>2/</u> (Allocations)	9,543 (6,687)	9,130 (6,386)	-18 (-13)
Foreign Exchange <u>2/</u>	10,912	12,762	+1,253
IMF Reserve Position <u>3/</u> (Of which U.S. loans to IMF)	10,431 (413)	9,938 (375)	-19 (-1)
<u>Total</u>	41,949	42,893	+1,216

1/ Valued at \$42.2222 per fine ounce.

2/ At current exchange rates.

3/ Includes estimated MOV adjustment payable to IMF of \$0 million as of latest date shown.

TABLE 9

LONDON GOLD FIXING PRICES

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	Jan. 1, 1988 to date	July 1, to date
Initial	592.00	399.00	452.75	384.00	306.25	327.10	402.40	484.10	436.50
High (date)	599.25 (1/6)	488.50 (9/7)	508.50 (2/1)	406.85 (3/5)	340.90 (8/19)	442.75 (9/22)	502.75 (12/14)	485.30 (1/11)	445.00 (7/20)
Low (date)	391.25 (8/4)	296.75 (6/21)	374.25 (11/21)	303.25 (12/20)	284.25 (2/25)	326.00 (1/3)	390.00 (2/18)	423.75 (2/29)	433.80 (7/12)
Average	449.58	378.11	422.38	355.08	317.94	363.87	449.71	451.15	438.72
Final or Latest	400.00	448.00	381.50	309.00	327.00	390.90	486.50	442.20	442.20