

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 1st May 1980

With most of Europe closed for May Day the exchanges were extremely quiet. Sterling met an early seller this morning but was otherwise steady. The ERI rose to 72.9.

The pound rebounded to 2.2715 in New York yesterday before closing there at 2.2650. This morning it opened at 2.2615 and ran into an early seller. The rate fell to 2.2555. Thereafter activity was at a low ebb. Sterling recovered to 2.2635 this morning and traded a little over 2.26 for the rest of the day, closing at 2.2620. Eurodollars softened further and forward margins widened, the three months' to 2 9/16% p.a. discount. The covered differential rose to 3/8% in London's favour.

The pound gained around 1/8% against each of the Swiss franc (3.76%), French franc (9.50%) and deutschemark (4.07). These were all barely changed on the dollar at 1.6650, 4.2027 and 1.7995 respectively. The EMS narrowed slightly to 1 11/16% in width between the French franc and lira (846.50). The guilder continued to drift down the band and the Dutch sold \$12 mn. and \$33 mn.-worth of marks, while raising Discount and Lombard Rates by 1/8% each to 10% and 11% respectively. The Danes, too, sold \$10 mn. and the Irish spent \$50 mn. The yen closed at 239.70 in Tokyo and eased further to 240.27 in London.

After a quiet morning - the price was fixed at \$507.75 - gold was sold down in New York this afternoon in response to Volcker's suggestion that the Hunts would need to liquidate more silver. The metal traded down to around \$480 but strong demand once more emerged at the cheaper levels and an active fixing set a level of \$490. Later the price touched \$500 again before closing around \$495.

Operations: India	+ \$23 mn.
Sundries	- 1
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	+ \$22 mn.
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1st May 1980

JGH

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