

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 20th May 1980

Reports of further increases in oil prices helped sterling to advance 0.1 in effective terms to 73.3. Business was rather subdued. The dollar strengthened on the Continent; the yen improved quite sharply.

Sterling traded quietly in New York last night, closing at 2.2855, and again this morning, edging up from 2.2847 at the start to 2.2885. Gentle buying by an American bank in London took the rate up to 2.2926 early in the afternoon, but he later turned his position and it was rumour of further oil price increases which enabled sterling to close at 2.2913 after 2.2875 and then to advance to 2.2955 in late trading as the dollar softened. Euro-dollars opened steady, but fell back over the day. 3-months' deposits closed at 11% after allowance for technical factors, some  $\frac{1}{2}$ % lower than last night; although the cost of cover increased to 6  $\frac{3}{16}$ %, the covered differential against London shrank to 3/16%.

The pound strengthened on the Continent, closing at 4.13 $\frac{1}{2}$  against the mark and 3.85 $\frac{1}{2}$  and 9.62 $\frac{1}{2}$  in Switzerland and Paris. Lower euro-dollar rates notwithstanding the dollar improved a little in these centres, the mark closing at 1.8031 (after 1.8072) the Swiss franc 1.6807 and the French franc at 4.2010. The last retained its position in the EMS, 1  $\frac{15}{16}$ % above the lira (848.25). The SNB bought another \$200 mn. on the swap; otherwise there was no intervention in these centres. Elsewhere, the Dutch bought \$8 mn.-worth of marks and the Irish, \$10 mn. The Swedes sold another \$70 mn. The yen's strength was a feature of the day. Having closed quietly in Tokyo at 228.70, it advanced to 225.40 in London on expectations voiced, by unnamed Japanese monetary officials, of a 220 rate; the currency closed here at 226.47. The Canadian dollar was steady ahead of the Quebec vote.

Gold fixed at \$509.80 and \$507 $\frac{1}{2}$  before rising to \$511 in late trading on reports of further tension in the Near East.

Operations:	Market	+ \$6 mn.
	Government	- 9
	Sundries	+ 3
		<hr/>
		=
		<hr/> <hr/>

20th May 1980

PAB

*B.*