

THE DEPUTY GOVERNOR



FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 30th May 1980

The dollar was savaged by another bad statistic - a fall of 4.8 in the Index of Leading Indicators - and conceded most of its overnight gains which had resulted from late buying by the IMM in Chicago. Sterling suffered its own attack as New York opened as strong sellers but was put on its feet again when the dollar began to crumple. The ERI recovered to 74.3 after 74.1 at noon.

The pound fell to 2.33 in New York but closed at 2.3337. It opened five points higher today in London and briefly touched 2.3375 before settling around 2.33. As soon as New York opened selling pressure developed and sterling fell to 2.3220 but it turned around sharply after the Leading Indicators figure and ran up to 2.3580 before subsiding to 2.3450 at the close. Eurodollars were well bid at the opening - up to 10 1/4% - but eased back to end at 9 3/4% for three months. Forward margins narrowed on balance and the premium for sterling on a covered basis was stretched to 11/16% p.a.

In Europe sterling lost a little ground, falling to 4.16 1/4 in Germany, 9.68 1/2 in France and 3.87 1/2 in Switzerland. The late weakness of the dollar came after most Continental centres had closed. The lira did not react and closed at 838 1/4 whilst the French franc improved to 4.13 1/4 from earlier levels above 4.16: as a result EMS was technically breached at 2 3/8% width. The deutschemark was virtually unchanged compared with last night, at 1.7750, having been as weak as 1.7886 this morning. The Swiss franc closed at 1.6540. The yen improved to 222.65 in London, having closed at 224.40 in Tokyo (the closing rates in yesterday's report should have been given as 223.75 and 223.57).

Gold rose in New York and the rally was sustained in Europe. Fixings were at \$531.40 and \$535.50

Operations:	Market	+ \$6 mn.
	India	+ 12
	Interest	+ 7
	Sundries	- 4
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		+ \$21 mn.
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The result for May is a reserve increase of \$276 mn. to a level of \$28,284 mn., after net public sector repayments of \$16 mn. The overbought forward position declined by \$179 mn. to \$1,610 mn.

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DAHB