

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSWednesday, 4th June 1980

The exchanges were generally more subdued today as tomorrow's Corpus Christi holiday in parts of Europe and the departure of senior dealers for the Forex Congress in Singapore combined to reduce activity. Sterling met demand from time to time as yesterday's short positions were covered. A modest upturn in the dollar was spoiled by Miller's assertion that the current dollar/deutschemark rate was satisfactory. Sterling's ERI rose to 73.4.

The pound was sold down to 2.2880 in New York yesterday before closing at 2.2940. This morning short-covering in the Far East brought an opening rate of 2.3042 in London and sterling quickly ran up to 2.32 when a few Swiss buyers came in. Thereafter, the pound traded either side of that level, rising (to 2.3260 at one stage) on sporadic demand and relapsing as the market cleared. The closing price was 2.3205. Forward margins widened again today. Three-months' cover cost  $6\frac{1}{2}\%$  p.a. and the covered differential was  $\frac{3}{8}\%$  in London's favour.

The pound regained  $\frac{3}{8}\%$  in Paris (9.59 $\frac{1}{2}$ ) and Frankfurt (4.11 $\frac{1}{2}$ ) but only  $\frac{1}{8}\%$  in Zurich (3.81 $\frac{1}{2}$ ) where the Swiss franc firmed to 1.6457 against the dollar and 0.92 $\frac{1}{2}$  to the mark. The deutschemark closed a little harder at 1.7725. Yesterday the Federal Reserve bought \$22mn. against marks. Reductions in two major Prime Rates to 13% kept the dollar subdued this afternoon but there was no significant official intervention. EMS narrowed to 1 $\frac{1}{8}\%$  between the French (4.1350) and Italian (834.25) currencies. The Norwegians took in \$25mn. and the Irish \$28mn. The yen closed at 222.40 in Tokyo and 221.32 in London.

Gold met strong support in New York yesterday at around \$550 and strengthened from there throughout today. Fixings were \$568 and \$571.50 and the close around \$580. Reports of Russian troop movements near the Pakistan border with Afghanistan served to keep the price up.

Operations: Market	+ \$6 mn.
National Coal Board (PSB G'teed)	+ 79
Iraq	+ 7
Interest	+ 6
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	+ \$98 mn.
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Overnight	+ \$12 mn.
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4th June 1980  
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