

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 6th June 1980

Another fairly quiet day with little net movement for the dollar. Sterling's ERI was unchanged at 73.7. The lira remained under pressure.

The pound was bid up to 2.3370 in New York yesterday and opened at 2.3362 this morning. Some residual demand for sterling on the early exchanges saw business at 2.3365 but thereafter the rate eased back a little. Conditions were quiet. Sterling was sold down to 2.3302 in late morning and, despite a later recovery, dipped to 2.3287 this afternoon before closing at 2.3311. Three months' cover cost 6 $\frac{1}{2}$ % and sterling's intrinsic premium fell to 3/16%.

The pound was unchanged in Paris (9.62 $\frac{1}{4}$), a touch firmer in Frankfurt (4.13 $\frac{1}{2}$) and a little easier in Zurich (3.83 $\frac{1}{4}$). The Swiss franc was 1.6436 and the mark 1.7742. The Bundesbank bought \$10 mn. The French franc (4.1280) and lira (833.25) continued to span the EMS, still 2 3/16% apart. The Italians sold \$210 mn. to counter the pressure from persistent talk of devaluation. The French took in \$5 mn. and \$17 mn. of marks. The Dutch bought marks worth \$6 mn. The yen closed at 220.10 in Tokyo and 219.87 in London. Yesterday the Japanese bought \$101 mn. in New York.

Having failed to break \$600 in New York overnight, gold opened easier this morning. Good demand at the fix left the price at \$598 and New York took the metal through \$600 this afternoon. The later fixing set a level of \$597 but the closing price was \$605.

Operations:	Greece	- \$10 mn.
	Interest	+ 6
		<hr/>
		- \$4 mn.
		<hr/> <hr/>

6th June 1980

JGH