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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 9th June 1980

Friday's depressing economic statistics from the USA took $\frac{1}{2}\%$ off eurodollar deposits this morning and the dollar eased accordingly. Sterling advanced in consequence but turnover was not substantial. The ERI rose to 73.9. Elsewhere, official operations were stepped up.

The pound closed quietly in New York on Friday at 2.3365. This morning it was well bid in the Far East as the dollar was sold and the opening level in London was 2.3487. The dollar enjoyed a relatively steady morning but sterling continued in some demand and was marked up to 2.3563 before settling down a little over 2.35. Only the Swiss franc, amongst other currencies, kept pace. This afternoon, however, the dollar lost further ground but this time the pound marked time and closed quietly at 2.3500. Sterling deposits matched the decline in eurodollars so that the cost of three months' cover was little changed at 6 $\frac{15}{16}\%$ p.a. and sterling's intrinsic premium was unchanged at $\frac{3}{16}\%$.

The pound was a little firmer in Germany (4.14 $\frac{1}{2}$) and France (9.64 $\frac{1}{2}$) but lost $\frac{1}{2}\%$ against the powerful Swiss franc (3.81) which hardened to 1.6217 against the dollar and 0.92 to the mark. The deutschemark firmed to 1.7624. On Friday in New York the Federal Reserve bought \$111 mn. against marks and \$32 mn. against Swiss francs, while the Swiss took in \$32 mn. for their own account. The Canadians, too, purchased \$92 mn. Today Swiss support totalled \$40 mn. but the Bundesbank bought only \$14 mn. Earlier in Tokyo the Bank of Japan had soaked up \$181 mn.; the yen closed there at 217.70 but advanced to 216.57 in London. Elsewhere, however, the Swedes continued to prop their krone by selling \$54 mn. while the Italians spent a further \$150 mn. in support of the lira which, at 830.55, remained 2 $\frac{3}{16}\%$ adrift of the French franc (4.1047) in the EMS.

Gold was bid up strongly in the Far East this morning and made a little further headway in European markets. Fixings were \$627.50 and \$623.75.

Operations:	Market	+ \$35 mn.
	Sweden	+ 9
	Interest	+ 7
	Sundries	- 3
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		+ \$48 mn.
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