

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 17th June 1980

Yet firmer eurodollar rates brought a further uplift for the dollar this morning, although the movement did not persist and positions were eventually turned. Sterling looked soft for much of the day. With interest rate expectations now firmly set, dealers seem ill prepared to take the pound very much higher. The ERI fell from 73.9 to 73.5.

The pound closed weaker at 2.3322 yesterday in New York, where the dollar was generally a good deal better. This morning sterling opened at 2.3332, dipped to 2.3290 on some early Swiss selling, then settled to trade quietly around 2.33. Late in the morning as sentiment for the dollar turned adverse again, sterling was marked up to 2.3337 but New York came in as sellers of pounds and the trading range this afternoon was much as this morning's. Late in the day, a further sell-off took sterling to 2.3253 before it recovered to close at 2.3302. Forward margins opened lower but widened again, possibly in response to the tightness of money for make-up day. The cost of three-months' cover was little changed at 7½% p.a. However, the covered differential moved to 1/16% against London.

The pound lost ¼% in Switzerland (3.80%) and ¾% in both France (9.59%) and Germany (4.12). The dollar finished marginally firmer on balance, though well below its best. The deutschemark was 1.7682 (after 1.7750) and the Swiss franc 1.6325 (after 1.6395). There was no official intervention of note save in Italy where the authorities spent \$114mn. and allowed the EMS to widen to 2½% between their lira (836.85) and the French franc (4.1180). The yen closed at 216.80 in Tokyo and 216.07 in London.

Gold fell a further \$5 in New York yesterday as the dollar advanced. With Hong Kong closed today, European markets were subdued and the metal excited little interest, trading in a very narrow range. Fixings were \$590.75 and \$591.75.

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|-------------|----------|---|-------------|
| Operations: | Market | - | \$2mn. |
| | India | + | 12 |
| | Interest | + | 7 |
| | B.I.S. | + | 5 |
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| | | | + 22mn. |
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