

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSFriday, 20th June 1980

Sterling firmed gradually over the day as further short-covering took place in thin markets in the wake of yesterday's MLR announcement. The dollar closed little changed. The lira suffered heavy week-end pressure. Sterling's ERI rose to 73.8.

The pound advanced to 2.3335 in New York yesterday but opened at 2.3275 this morning. With the dollar generally better behind slightly firmer euro-dollar rates, sterling touched 2.3266 on the early exchanges but thereafter strengthened gradually on a modest level of business. Some firm demand around the New York opening took the rate to 2.3395 and 2.3425 was paid for pounds in late afternoon before the close came at 2.3380. With interbank sterling deposits markedly firmer, forward margins widened, the three-months' to 7 9/16% p.a. discount. The covered differential, however, moved to 1/8% against London.

The pound gained further ground in France (9.60%), Germany (4.13%) and Switzerland (3.81%). The dollar finished little changed in those countries at 4.1067, 1.7674 and 1.63 respectively. The French bought \$30mn. and the Irish sold \$20mn. EMS widened to 2 13/16% between the French franc and lira (836.30). The Italians spent \$244mn. in containing the pressure ahead of the week-end. The yen closed at 217.35 in Tokyo and 216.72 in London.

Gold advanced slightly in New York yesterday and held its gains today. Fixings were \$603.75 and \$602.90. The market was not active.

Operations:	Market	+	\$6mn.
	Interest	+	5
	Eire	-	23
	Bangladesh	-	12
	Ghana	-	10
	Sundries	+	5
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		-	\$29mn.
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