

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 2nd July 1980

With Independence Day looming in the USA, most markets were subdued today. The dollar drifted easier. Sterling was not active. Occasional demand kept the currency fundamentally firm but there was more than one case of nervous selling in front of tomorrow's MLR announcement. The ERI fell to 74.4.

The pound closed quietly at 2.3655 yesterday in New York, where the dollar was generally a little weaker. This morning sterling opened at 2.3590 (reflecting, in part, a large technical adjustment for the long weekend in New York) and touched 2.3578 on the early exchanges before it was bid back up to 2.3652. A sudden decline in sterling deposit rates pulled the rate back below 2.36 but the pound traded either side of that level until mid-afternoon when selling developed in anticipation of tomorrow's MLR announcement. Sterling hit 2.3550 before recovery to close at 2.3606. Dollar and sterling deposits both softened, the latter slightly more so. Forward margins thus narrowed, the three-months' to 7% p.a. discount. The covered differential rose to  $\frac{1}{8}$ % in London's favour.

The pound lost  $\frac{1}{8}$ % in France (9.62 $\frac{1}{2}$ ) and Germany (4.14 $\frac{1}{4}$ ) and  $\frac{1}{8}$ % in Switzerland (3.82). The dollar, too, closed weaker in all these centres, at 4.0770, 1.7572 and 1.6180 respectively. EMS was allowed to widen again to 4 $\frac{1}{8}$ % between the French franc and lira (842.05). The French bought \$40mn. and the Italians sold \$195mn. The yen recovered a little, closing at 219.10 in Tokyo and 218.45 in London.

Gold was in good demand again this morning and touched \$676 before fixing at \$672. Profits were taken, however, this afternoon and the later fixing set a level of \$661.50, with the close at \$658.

Operations:	PSB (G'teed)	
	Strathclyde RC + 36	
	North Scotland Hydro + 18	+ \$54mn.
	Kenya	+ 12
	Interest	+ 6
	Sundries	+ 3
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		+ \$75mn.
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