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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 9th July 1980

The exchanges traded largely without feature. The dollar failed to hold yesterday's late gains but picked up again this afternoon to close little changed. Sterling again mirrored the dollar but the trading range was somewhat lower than yesterday's. The ERI was unchanged at 74.4.

New York took the pound down to 2.3685 before closing it at 2.3705 yesterday. This morning it opened at 2.3722, firmed modestly as the dollar eased and traded quietly through the morning in a narrow range. Professional interest in London early this afternoon bid sterling up to 2.3805 but, as the dollar revived elsewhere, so the pound fell back to 2.3710 before closing at 2.3749. The CGBR had no marked impact. Forward margins narrowed, the three months' to 6 5/16% p.a discount. As a result, the covered differential rose to 3/16% in London's favour.

The pound closed a shade firmer against each of the Swiss franc (3.77 5/8), French franc (9.58 1/4) and deutschemark (4.13). Against the dollar, these were 1.5900, 4.0352 and 1.7386 respectively. In New York yesterday the Federal Reserve bought \$235 mn. (\$201mn. for marks, \$14mn. for Swiss francs and \$20mn. for French francs), while the Swiss, too, bought \$14mn. Today the major Europeans were idle. EMS narrowed to 3 11/16% between the French franc and lira (828 7/8). The Italians did nothing but the Danes bought \$21 mn., the Dutch \$10 mn. and the Irish \$6 mn. The yen closed at 219.00 in Tokyo and 218.17 in London.

Gold lost \$14 in New York overnight but firmed a little this morning to fix at \$678. Selling was renewed in New York this afternoon and the later fixing was very active, setting a level of \$671, with the closing price much lower still at \$662.

Operations:	Market	-	\$2mn.
	India	+	24
	Iraq	+	12
	Interest	+	12
	Sundries	-	2
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		+	\$44mn.
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*JGH* 9th July 1980

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