

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 11th July 1980

Another very quiet day. The dollar tended firmer this morning - sterling alone resisting the movement - but retraced its steps following Citibank's $\frac{1}{8}\%$ reduction in Prime Rate (to $11\frac{1}{8}\%$); this made for a firm close for sterling. The ERI rose to 71.5.

The pound closed in New York yesterday at 2.3760, opened today at 2.3740 and passed a dull morning in a narrow range between 2.3732 and 2.3757. Early this afternoon official Middle East interest in pounds took sterling ahead and, as the dollar eased, the rate touched 2.3793 before closing at 2.3775. Dollar deposits were firmer and forward margins narrowed in consequence. Three-months' cover cost $6\frac{1}{8}\%$ p.a. and the intrinsic premium was $\frac{1}{8}\%$.

The pound was slightly firmer in Switzerland (3.79 $\frac{1}{2}$), France (9.60) and Germany (4.13 $\frac{1}{2}$). The dollar was a touch easier in each of these centres at 1.5977, 4.0380 and 1.7394 respectively. EMS widened to $3\frac{1}{8}\%$ between the French franc and lira (829.95), but the Italians did nothing. The Danes bought \$11mn. but the Swedes spent a further \$38mn. The yen closed at 217.70 in Tokyo and 217.55 in London.

Gold was a little firmer in a generally quiet market. Fixings were \$663.50 and \$667 and the close was \$670.

Operations:	Market	+	\$16mn.
	Iraq	+	48
	Interest	+	10
	Shetlands		
	(PSB G'teed)	+	9
	Government	+	5
	Ghana	-	12
	Sundries	+	2
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		+	\$78mn.
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