

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSTuesday, 15th July 1980

Gold continued extremely soft today and the dollar gained further ground in consequence. Sterling, however, was little moved and proved a good two-way market. The trade figures made for a firm close and the ERI finished slightly higher at 74.6.

The pound traded at 2.38 in New York yesterday before closing at 2.3775. This morning, however, with the dollar better it opened at 2.3739 and, with some commercial selling in the Far East washing through, fell to 2.3685 before recovering. London banks seemed prepared to go short of pounds in advance of the trade figures, but with good underlying commercial demand, the rate slipped no lower than 2.3680 this afternoon. The figures themselves proved encouraging and, despite further professional selling, sterling closed firmly at 2.3735. Dollar and sterling deposits were both easier, where changed. The cost of three-months' cover was 6 1/16% p.a. and the covered differential rose to 3/8% in London's favour.

The pound gained 3/8% in Switzerland (3.81%) and Germany (4.14%) and 1/8% in France (9.63%). The dollar was better in all these centres at 1.6080, 1.7468 and 4.0590 respectively. EMS narrowed to 3 7/16% between the French and Italian (831%) currencies and the Italians clawed back a further \$50mn. The yen closed at 219.15 in Tokyo and 219.35 in London.

Gold was a very nervous market. Buyers were frightened off and any selling quickly depressed the price, though volume, except at the morning fixing, was not up to yesterday's level. The first fixing was \$621 and New York later offered the metal down to \$614 before it recovered into the second fixing - again long and difficult - which set a level of \$619.50. Thereafter the market was very quiet.

Operations:	BIS	+	\$12mn.
	India	+	12
	Interest	+	5
	Sundries	-	3
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		+	\$26mn.
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