



THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 18th July 1980

Yesterday's surprisingly large increase in US housing starts took Euro-dollars firmer this morning and the dollar opened better in consequence. Gains were held through the day and further ground was made up towards the close. Sterling was again a good, two-way market and, as often, withstood the dollar's advance better than most. The ERI rose to 74.6.

The pound closed at 2.3755 in New York yesterday and opened at 2.3764 this morning. A large commercial selling order was very well absorbed this morning, the pound falling no lower than 2.3736. The RPI was encouraging. Sterling was supported through the afternoon by a number of corporate buyers and touched 2.3766 before easing, before the dollar's late spurt, to close at 2.3736. Euro-dollars had lost their earlier gains by the close but sterling deposits were generally better bid. Forward margins thus widened, the three-months' to 6½ p.a. Interest parity again prevailed.

The pound gained ¼% in Frankfurt (4.14½) and ½% in each of Paris (9.64) and Zurich (3.82). The dollar advanced in these centres to 1.7469, 4.0610 and 1.6095 respectively. The 9.1% decline in US GNP in the second quarter was largely discounted. EMS narrowed to 3½%, the Irish punt (2.1550) replacing the French franc in pole position. The Italian lira (829.82) met further short-covering and the authorities took back \$55mn. The Irish bought \$7mn. Bank Rate and Lombard Rate in the Netherlands were each reduced by ½% to 9% and 10% respectively and the guilder fell sharply down the band into third place. The yen closed at 219.20 in Tokyo and 219.47 in London.

After falling further in New York yesterday and the Far East this morning, gold continued soft and uncertain throughout today. Both fixings were extremely active and evinced heavy offerings but strong support was always evident at around \$605. Fixing levels were \$610 and \$606 and the closing price around \$608.

Operations:	India	+	\$24mn.
	Interest	+	6
	Ghana	-	9
	Sundries	-	4
		+	\$17mn.

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