



THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 24th July 1980

After a quiet morning, sterling was well wanted this afternoon following the unchanged Minimum Lending Rate. The dollar, too, was steady this morning but weakened later after several reductions in Prime Rate to 10 1/4%. Sterling thus hit a new five-year high against the dollar and the ERI closed at a record 75.2.

The pound closed at 2.3845 in New York yesterday and opened at 2.3807 this morning after some selling in the Far East. Having touched 2.3801 on the early exchanges, the pound traded quietly around opening levels through the morning before improving gradually to 2.3825 by 12.30 p.m. The MLR announcement saw sterling sharply higher. New York came in to bid for pounds and the rate climbed steadily to 2.3995 in late afternoon. The historic 2.40 barrier, however, proved a psychological impasse and sterling closed at 2.3984. Three-months' cover again cost 6 3/16% p.a. and sterling's intrinsic premium was 1/8%.

The pound gained 1/8% in Zurich (3.81 1/4) and Frankfurt (4.15 1/4) and 1/8% in Paris (9.66 1/4). The dollar eased to 1.5915, 1.7335 and 4.0287 respectively in those centres. The reduction in Chase Manhattan's Prime Rate to 10 1/4% - soon followed by several other banks - was a bear factor but the Federal Reserve's outright sales of Treasury Bills came too late to impact on the dollar in London. EMS was unchanged at 3 7/16% between the French and Italian (825.22) currencies. The Italians took in \$150mn., the Dutch \$20mn., the Norwegians \$36mn. (outright forward) and the Danes \$6mn. The yen closed at 223.70 in Tokyo but firmed to 222.77 in London.

Gold traded between \$625 and \$645 in New York yesterday and spanned a similar range in Europe today. The trend, however, was towards higher levels. Fixings were \$635.50 and \$643.

Operations:	Market	+	\$8mn.
	Sundries	-	2
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		+	\$6mn.
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