

THE DEPUTY GOVERNOR.

FOREIGN EXCHANGE AND GOLD MARKETSTuesday, 5th August 1980

A sharp fall in the Federal funds rate yesterday in New York made for a weaker dollar there but, despite a substantial easing in eurodollars this morning, the currency recovered some ground in European markets today. Sterling meanwhile was very steady. The Banking Statistics had little impact and the pound was slightly firmer for choice in their aftermath. The ERI rose from 74.6 to 74.9.

Sterling advanced  $1\frac{1}{2}$  cents as the dollar weakened in New York yesterday to close there at 2.3572. This morning it opened at 2.3575, traded up to 2.3620 on some modest professional demand, then drifted back through a quiet morning as the dollar recovered, touching 2.3537 at one stage. 2.3560 was the quote as the banking figures were released. Within minutes there was business at 2.3590. Thereafter, the statistics were largely ignored as the dollar moved ahead and sterling dropped to 2.3535 before closing at 2.3557. Three-month eurodollars were almost  $\frac{1}{2}\%$  easier. Forward margins widened, the three months' to 6% p.a. discount. This gave sterling an intrinsic premium of  $\frac{1}{8}\%$ .

The pound was a little firmer in France (9.70 $\frac{1}{4}$ ) and Germany (4.18 $\frac{1}{4}$ ) and fractionally easier in Switzerland (3.86 $\frac{3}{8}$ ). The dollar closed weaker in all these centres at 4.1190, 1.7779 and 1.6407 respectively. EMS was 2 $\frac{1}{2}\%$  in width between the punt (2.1252) and lira (837.75). The Irish bought \$13 mn. and the Italians sold \$25 mn. The yen closed at 226.20 in both Tokyo and London.

Gold opened firmer on the weaker dollar and touched \$639 before fixing at \$635.50. This afternoon, the metal was sold following the announcement of Canadian intentions to sell a further 1 mn. ounces from reserves. The later fixing was \$630.50.

Operations:	Market	+	\$2 mn.
	Greece	-	8
	Bangladesh	-	7
	Interest	+	12
	Sundries	+	4
		+	<u>\$3 mn.</u>

JGH  
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