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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 12th August 1980

The exchanges were gloriously quiet again today with the big guns firing only at the Japanese yen. The latter's strength made for a generally easier dollar and helped to drive sterling's ERI down to 75.3

The pound closed at 2.3707 in New York yesterday and opened at 2.3691 this morning, touching 2.3650 on the early exchanges as the dollar threatened to firm behind higher euro-dollar rates. This trend, however, was short-lived and, as the dollar steadied, so sterling recovered to trade quietly around 2.37 into the afternoon. New York's return brought a further appreciation in the yen, which was already well bid, and this took the dollar generally lower. Sterling was marked up to 2.3740 before closing at 2.3725. Eurodollars opened between $\frac{1}{8}$ % and $\frac{1}{4}$ % harder but closed below best levels. Sterling deposits, too, were firmer. The cost of three months' cover narrowed again to 6 $\frac{1}{16}$ % p.a.; sterling's intrinsic discount was unchanged at 3/16%.

The pound lost $\frac{1}{8}$ % to the Deutschmark (4.22 $\frac{1}{2}$), $\frac{1}{4}$ % to the French franc (9.78 $\frac{1}{2}$) and $\frac{1}{8}$ % to the Swiss franc (3.89 $\frac{1}{2}$). These were all better against the dollar at 1.7806, 4.1257 and 1.6403 respectively. The Bundesbank sold \$10 mn. on Federal Reserve account. In EMS the punt (2.1212) regained leadership from the French franc, with the lira (842.25) now 3 $\frac{1}{4}$ % in arrears. The Irish bought \$3 mn. Elsewhere the Norwegians took in \$26 mn and the Swedes sold \$41 mn. The yen closed at 225.40 in Tokyo and then ran into strong Swiss demand in European markets. The rate touched 222.50 before closing in London at 222.92.

Gold was again rather weak, although support was still evident at the lower levels. Fixings were \$613.25 and \$605.

Operations:	Market	- \$5 mn.
	Botswana	+ 12
	Interest	+ 5
		<u>+ \$12 mn.</u>

Overnight	<u>+ \$5 mn.</u>
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JGH 12th August 1980.
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