

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 19th August 1980

✓

Sterling's recent strength triggered sizeable selling by the IMM last night and a regular commercial operator was similarly minded this morning. During the day rate movements were quite narrow but the pound had opened lower and the ERI declined to 75.4

In New York sterling was pulled down to 2.3585 at yesterday's close, after an estimated £40 mn. had been sold. Today it opened at what proved to be the best level, 2.3645, eased in mid-morning to 2.3588 under the influence of the commercial order (probably £60 mn.) and closed at 2.3610. As Euro-dollars rose to 11 1/16% and sterling interbank to 16 11/16%, forward margins narrowed and the covered premium for London increased to 5/16% p.a.

Against the deutschemark, the pound fell to 4.25½; it lost ground also in Paris (9.83½) and Zurich (3.92). The dollar was little changed and EMS untroubled, though the Irish bought \$19 mn. The French franc ended at the top at 4.1655, 3 3/16% stronger than the lira, which weakened to 851.65. The deutschemark was a touch firmer at 1.8007, the Swiss franc at 1.6605. The cut in Japanese bank rate was not the full 1% expected and the yen rallied to 225.10 in Tokyo and further in London to 224.40. The Fed sold a mere \$10 mn. last night against deutschemarks.

Gold continued its improvement late in New York on reports of the Libyan troubles but traded down in London to fix at \$620.75. There was a further spurt to \$626 early this afternoon but the fixing was at \$624 and by the close \$620 was quoted.

Operations: Ghana - \$5 mn.
Sundries - 5
- \$10 mn.

19th August 1980.

DAHB

DAHB