



THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 20th August 1980

The exchange markets were very quiet today but gold was traded excitedly on rumours of another Russian invasion of Poland. Sterling edged slightly firmer everywhere, the ERI closing at 75.5.

New York was inactive last night and the pound ended there at 2.3580. Opening in London today at 2.3625 it rose, as the dollar drifted down generally, to 2.3715 in mid-afternoon and closed at 2.3670. Euro-dollars opened a little bid but came off as the day progressed. Three-months' ended at 10 $\frac{1}{2}$ % and sterling interbank eased to 16 9/16%; the covered differential in London's favour widened to $\frac{1}{2}$ % p.a.

The dollar lost about $\frac{1}{4}$ %, the deutschemark firming to 1.7973. EMS was generally quiet, though the Irish bought \$13mn. The French franc rose to 4.1580, 3 $\frac{1}{2}$ % above the lira which improved to 850.70 in spite of gloomy press comment and without need for support. The Swiss franc was little changed at 1.6575, the yen at 224.19. Elsewhere, pressure on the Swedish kronor came alive again and the Riksbank sold \$42mn.; their neighbours in Norway bought \$110mn.

Gold was steady this morning, fixing at \$622.75, but reacted to the rumours of an unholy war in Poland by taking a painful hour to fix this afternoon - nearly \$11 (net) up on the day at \$634.75.

Operations:	Market	+	\$1mn.
	India	+	24
	Interest	+	17
	IDA	+	6
	Ghana	-	6
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		+	\$42mn.
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DAHS