



THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 27th August 1980

Sterling was heavily bought today for commercial account, the latest unemployment figures only temporarily halting its advance by 0.4 to an ERI of 76.2.

There was some buying interest in Chicago last night, the pound rising to 2.3862 at New York's close. In London today it opened at 2.3807 and had been bid up to 2.3895 when the unemployment statistics were released. These caused a passing weakness (the rate eased to 2.3851) which was quickly left behind as renewed buying out of Europe, South Africa and Chicago made its impact felt (possibly £100mn. in all). From a high of 2.3963 the rate eased on profit-taking to close at 2.3925. Euro-dollars opened firmer but came off in mid-afternoon. Three-months' closed at 11 11/16% (after 12%). On a covered basis sterling reverted to a premium of 1/16% on the usual comparison.

In Europe the pound extended recent gains with its price in deutschemarks up to 4.30½, in French francs 10.00½ and in Swiss francs 3.97½. The dollar on balance was only a little lower, declining to 1.7988 in Germany and 4.1812 in France. For EMS there was another change at the top with the florin (1.96) ousting the punt (2.0942) to end 3 7/16% firmer than the lira (855½) which had required \$50mn. of support. The Swiss franc was barely changed at 1.6599. The yen traded quietly, easing to 219.55 in London (having been weaker in Tokyo at 220.30). The Swedes lost \$26mn. and the Norwegians bought \$100mn.

Gold was firmer overnight and fixed today at \$632.75 and \$633.85.

Operations:	Market	+	\$38mn.
	Iraq	+	24
	BIS	+	12
	Interest	+	13
	Kenya	+	8
	Ghana	-	10
	Sundries	-	3
		+	<u>\$82mn.</u>

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DAHB