

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 8th September 1980

The dollar weakened today despite some upturn in interest rates. Sterling firmed, in line with most other currencies, but excited little trading activity. The ERI fell to 76.4 this morning but recovered to close unchanged at 76.5.

The pound closed at 2.4145 in New York on Friday and opened at 2.4129 this morning, falling to 2.4120 on the early exchanges. After an uncertain start, the dollar turned easier, in part, perhaps, as eurodollars failed to hold a firmer opening and in part, no doubt, on solid demand for gold. Sterling advanced slowly to 2.4158 at midday. Although the market in pounds was unexceptional, there was some keen interest on official account and this impacted in early afternoon, the rate rising to 2.4202. Following the Wholesale Price indices, however, there was some profit-taking in pounds and sterling retreated to close at 2.4189. The cost of three months' cover fell slightly to 4 7/16% p.a. and the covered differential rose to 1/4% in London's favour.

The pound was a touch easier in Paris (9.99 1/2) and Frankfurt (4.29 3/4) but lost 1/4% in Zurich (3.92 1/4). The Swiss franc was especially strong, rising to 1.6236 on the dollar and the National Bank bought \$10 mn. The deutschemark firmed to 1.7762. EMS remained 3 1/2% spread between the florin (1.9324) and lira (846.55), the Dutch buying \$15 mn. The yen hardened to 217.15 in Tokyo and 216.60 in London.

Gold remained in strong demand and advanced \$10 this morning to fix at \$660. Americans continued the trend and the later fixing set a level of \$672.

Operations:	Market	+ \$12 mn.
	B.I.S.	+ 24
	Iran	+ 15
France o/a	Nigeria	+ 12
	Iraq	+ 12
	Sundries	+ 5
		<u>+ \$80 mn.</u>

*Jm*  
8 September 1980  
J.G.H.