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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 11th September 1980

Sterling suffered relatively little pressure surrounding today's M.L.R. announcement. However, some weakness later this afternoon suggested that market minds are still firmly set on a reduction in the very near future. The dollar drifted easier. Sterling's ERI climbed to 76.2.

As short-term operators squared short positions, the pound traded up to 2.4115 in New York yesterday before closing at 2.4082. This morning sterling opened at 2.4084 and, after dipping to 2.4082, turned gradually firmer as short-covering continued on the growing conviction that M.L.R. would not be reduced. The pound had crested 2.4150 by midday. Following the M.L.R. announcement, sterling was immediately quoted 2.4172 but thereafter it tended slightly softer and retreated to 2.4095 before turning up as the dollar weakened to close at 2.4134. Sterling deposits were firmer but, with the cost of three-months' cover also rising to 4 3/16% p.a., the covered differential was 3/8% against London.

The pound gained 1/8% in Zurich (3.92), 1/8% in Paris (9.96 1/8) and 3/8% in Frankfurt (4.28 1/2). The dollar eased in these centres to 1.6245, 4.1277 and 1.7752 respectively. E.M.S. widened again to 3 11/16% between the florin (1.9319) and lira (845.60). The Dutch bought \$25mn. and the Italians sold \$64mn. Elsewhere, the Swedes shelled out a further \$20mn. The yen moved sharply firmer, closing at 215.40 in Tokyo, where the Japanese bought \$40mn., and 214.22 in London.

Gold met profit-taking in New York yesterday and remained relatively soft for much of today. Fixings were \$676.50 and \$674 but the metal staged a late rally to close at \$682 1/2.

Operations:	Market	-	\$2mn.
	B.I.S.	-	14
	Greece	-	8
	Botswana	+	6
	Sundries	+	7
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		-	\$11mn.
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	Overnight	+	\$5mn.
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