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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 12 September 1980

A dull end to the week with all currencies very steady save the yen which continued to firm. Sterling's ERI closed unchanged at 76.2. Gold flirted with \$700 but turned shy at the threshold.

The pound traded up to 2.4205 in New York yesterday before closing there at 2.4173. This morning it opened at 2.4169 and, in very light activity, tended gradually easier over the day, touching 2.4095 in mid-afternoon before turning up to close at 2.4136. The R.P.I. had little impact. Forward margins narrowed, the three months' to 3 $\frac{3}{8}$ % p.a. discount. The covered differential moved to 1/16% in London's favour.

The pound gained  $\frac{1}{8}$ % in France (9.98 $\frac{1}{2}$ ) and Germany (4.29 $\frac{1}{2}$ ) and a little more in Switzerland (3.93 $\frac{1}{2}$ ). The dollar was firmer in these centres at 4.1360, 1.7797 and 1.6292 respectively. EMS remained 3 11/16% spread between the florin (1.9346) and lira (846.65). The Italians sold \$20 mn. and the Dutch bought \$50 mn. The Germans swapped in a further \$850 mn. to ease liquidity. Elsewhere the Swedes sold \$55 mn. and the Norwegians took in \$40 mn. The yen hit a 14-month high of 213.90 in Tokyo before retreating to close there at 214.70. The Japanese bought \$123 mn. in New York yesterday but did nothing this morning. Later in London the yen firmed dramatically again to close at 212.70 (after 212.50).

Gold was bid up again in the Far East this morning and traded up to \$697 later in London. Turnover was not heavy, however, and the metal was largely influenced by heavy buying of silver. The impetus to breach \$700 thus proved to be lacking and the price was fixed at \$693.50. The reaction continued into the afternoon: the fixing was \$685.50 but the close \$690.

Operations:	Market	+ \$6 mn.
	Iran	+ 5
	Government	- 11
	Sundries	+ 5
		=====
		+ \$5 mn.
		=====
Overnight:		- \$5 mn.
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*J.G.H.* 12 September 1980  
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