



THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS
Friday 17th October 1980

A fairly frenetic Friday found the dollar breaking new high ground on interest rate considerations. Sterling, which was largely a professional market, traded actively, continued to gain ground and set fresh four and five year records against some of the major currencies. The ERI rose to 77.2, a little shy of its all-time high.

The pound and dollar continued to forge ahead in New York and sterling touched 2.4235 before closing at 2.4185. This morning it opened at 2.4163 and met some early professional selling in London and Switzerland which drove the rate to 2.4123. Soon enough, however, the dollar surged again and sterling was carried with it on short-covering and fresh European professional demand, touching 2.4182 before settling down around opening levels. The RPI was well taken but served only to confirm the underlying tone. This afternoon New York again took the dollar and pound into higher territory. Sterling traded up to 2.4220 before easing to close at 2.4170. Euro-dollars gained up to 3/8%. Sterling deposits, too, were firmer. Three-months' cover cost 2 3/8% p.a. and the intrinsic premium was 3/8%.

The pound gained 3/8% in Zurich (4.00%), 3/8% in Paris (10.27 1/2) and 3/8% in Frankfurt (4.45 1/2). The dollar was buoyed by a 1% rise in third quarter GNP and prime rate increases to 14%. It closed in these centres at 1.6562, 4.2502 and 1.8424 respectively. Yesterday the Federal Reserve sold \$18mn. for marks and \$10mn. for French francs. The Bundesbank today sold \$30mn. and \$80mn. for the Federal Reserve. EMS remained 3 3/8% spread between the French franc and lira (872 1/2). The French bought \$43mn. of marks and \$25mn. of Swiss francs. The Irish sold \$11mn. The yen closed at 208.20 in Tokyo and five points cheaper in London.

Gold was active but steady for much of the day. Fixings were \$667.75 and \$670.50. Late in the day Americans sold the metal down to \$664.

Operations:	Market	+	\$8mn.
	Interest	+	11
	Greece	-	9
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		+	\$10mn.
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