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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 13th November 1980

The exchanges were less frantic today and there was little volume of note. Nonetheless the dollar still rode up and down the switchback several times before finishing little changed overall. Sterling travelled with the dollar this morning, indicating perhaps some correction of the last few days' flows out of London into Europe. This afternoon, however, the pound remained very firm, buoyed by a large commercial buying order. The ERI thus rose from 77.9 to 78.6.

The pound closed at 2.4160 in New York yesterday, having been marked up sharply after hours in London. This morning it opened at 2.4092 and swung either way through the early morning according to the mood of the dollar. Having tested 2.4080 and 2.4150, a trading range was established around 2.4125. The unchanged MLR appeared to bring a mark-up to around 2.42 but by that time there was already a substantial commercial buyer of pounds operating in a relatively thin market. The money numbers had no impact and the pound touched 2.4235 before closing at 2.4205. Euro-dollars were easier by around $\frac{1}{8}\%$. Sterling deposits too were softer. Forward margins were little changed. Three-months' cover cost 11/16% p.a. and the covered differential was again $\frac{1}{8}\%$ in London's favour.

The pound put on $\frac{1}{8}\%$ in both France (10.61 $\frac{1}{2}$) and Germany (4.57 $\frac{1}{2}$) and 1 $\frac{1}{8}\%$ in Switzerland (4.13). The dollar finished in these countries at 4.3837, 1.8920 and 1.7060 respectively. The Federal Reserve yesterday sold \$10mn.-worth of marks. The Bundesbank today bought \$3mn. EMS was very relaxed. The guilder (2.0535) held the lead. The Belgian franc (30.38) remained a little under 2% distant and the lira (897) was 3 $\frac{1}{2}\%$ below the florin. Somewhat surprisingly the French sold \$24mn.-worth of marks. The Irish spent \$5mn. and the Swedes \$20mn. The yen closed at 211.80 in both Tokyo and London.

Gold was fixed at \$616 this morning, having traded steadily around New York's closing levels. This afternoon it gained ground, following news of events in Poland, and was fixed at \$622.

Operations:	Market	+	\$19mn.
	Interest	+	31
	Ghana	-	5
	Sundries	+	2
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		+	\$47mn.
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