

THE DEPUTY GOVERNOR



FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 18th November 1980

Sterling traded steadily and without feature for much of the day. The dollar, however, was sold this afternoon following publication of the US monetary aggregates, the growth of which was somewhat more modest than many had anticipated. Sterling's ERI thus fell to 78.4.

The pound closed at 2.3980 yesterday in New York, where the dollar was generally a touch softer. This morning, Euro-dollars opened a little easier and the dollar continued to trade off from yesterday's levels. Sterling, however, met early selling from Switzerland and, having opened at 2.3962, quickly fell to 2.3885 before buyers came in and established a solid trading range around 2.39. Business was brisk at this stage but, after the opening hour or two, activity subsided and the pound edged gradually ahead to around 2.3950. This afternoon, the dollar was beset by conflicting trends and sterling, albeit from the sidelines, reflected these. Initially the dollar weakened as deposit rates softened. Federal Funds, however, opened very firm in New York, deposit rates turned harder and the dollar began to recover. Finally, the monetary aggregates were taken to portend some chance of lower interest rates and the dollar was sold through to the close. Sterling touched 2.3980 at best before closing at 2.3975. Three-month Euro-dollars finished the day $\frac{1}{8}\%$ easier. Sterling deposits, too, were a touch softer. Sterling's three-month forward premium rose to $\frac{1}{8}\%$ and the covered differential moved to $\frac{1}{8}\%$ in London's favour.

The pound lost $\frac{1}{8}\%$ in Zurich (4.12 $\frac{1}{2}$), $\frac{1}{8}\%$ in Paris (10.63 $\frac{1}{2}$) and $\frac{1}{8}\%$ in Frankfurt (4.58 $\frac{1}{2}$). The dollar fell in these centres to 1.7222, 4.4360 and 1.9125 respectively. Yesterday, the Federal Reserve sold \$60mn. (of which \$10mn. forward) for marks. The guilder (2.0760) retained pole position in EMS, 3 13/16% above the lira (910 $\frac{1}{2}$) and 2 $\frac{1}{8}\%$ distant from the Belgian franc (30.78). There was no intervention outside Sweden where the Riksbank sold \$27mn. The yen continued steady, closing at 213.25 in Tokyo and 212.92 in London.

Gold was a little brighter in the face of the easier dollar. Fixings were \$616.25 and \$619.

Operations:	IDA	+	\$5mn.
	Sundries	+	4
		+	\$9mn.

JGH

18th November 1980.

JGH