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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 25th November 1980

The market responded positively to the Chancellor's package and sterling met ready buyers on both investment and commercial account. The dollar lost a little further ground in line with the interest rate trend. Sterling's ERI rose to 77.0.

The pound was quietly steady through yesterday afternoon in New York but eased late in the session to close there at 2.3330. This morning, however, sterling began at 2.3425 and, after touching 2.3397, began a steady advance. Demand from Switzerland, in particular, was noted, indicating perhaps investment interest from Middle East accounts. Commercial buyers, too, were in evidence. The pound advanced to 2.3630 in late morning before profit-taking set in. Sterling traded quietly and comfortably through the afternoon easing back at the last moment to close at 2.3525. Sterling's three-month forward premium narrowed slightly to 2 9/16% as Euro-dollars eased a touch. The covered differential was 11/16% against London.

The pound was fractionally firmer in each of Zurich (4.06¼), Paris (10.45) and Frankfurt (4.49¼). The dollar was unchanged in Switzerland (1.7270) but a little weaker against the French franc (4.4417) and deutschemark (1.9117). The Federal Reserve sold \$10mn. for marks yesterday. The Belgian franc (30.74) closed 2½% below the florin (2.0742) in EMS but the lira fell to 4¼% distant after Italian purchases of \$19mn. The French sold marks worth \$39mn. The Swedes spent \$10mn. The yen closed at 213.65 in Tokyo and 213.42 in London.

Gold weakened sharply overnight. Today's fixings were \$613.50 and \$616.25 and the metal traded down to \$609.50 in the interim.

Operations:	Market	+	\$15mn.
	Interest	+	11
	Sundries	-	5
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		+	\$21mn.
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JGH 25th November 1980.

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