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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 27th November 1980

With the big American players taking time out for Thanksgiving, markets were predictably dull today. The dollar hardened behind yesterday's increases in Prime Rates. Sterling eased in line with other currencies and the ERI fell to 77.6.

The pound closed little changed at 2.3707 yesterday in New York, although the dollar was a good deal firmer against the Continental European currencies. This morning the position was corrected. The dollar struggled to hold yesterday's exalted New York levels. Sterling opened lower at 2.3668 and, after touching 2.3680, traded quietly around 2.3650 through the morning. This afternoon, the pound drifted into a slightly lower range touching 2.3612 before closing at 2.3625. Sterling's three-month forward premium widened by 7/16% to 3 5/16% p.a. With eurodollars only 3/16% better bid, the covered differential against London was lowered to 3/8%.

The pound was a touch firmer in Zurich (4.10%) and a mite softer in Paris (10.55%) and Frankfurt (4.55%). The dollar strengthened in all these centres to 1.7392, 4.4662 and 1.9265 respectively. The Federal Reserve sold \$111 mn. for marks yesterday. The lira (915.45) slipped to 3 15/16% from the quilder (2.0865) in EMS but the Belgian franc (30.95) closed at almost the full 2 1/2% distance. The Italians bought \$25 mn. The Dutch took in \$2 mn. of Belgian francs and the Danes purchased \$5 mn. Elsewhere the Swedes bought \$10 mn. and the Norwegians \$20 mn. (forward). The yen closed at 216.10 in Tokyo and 215.60 in London.

Gold lost ground in the East this morning and spent the day quietly regaining these losses. Fixings were \$620 and \$622.

Operations:	Market	+ \$ 5 mn.
	Interest	+ 36
	India	+ 12
	Ghana	- 6
	Sundries	- 2
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		+ \$45 mn.

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