

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 14th January 1981

Today was quiet on the exchanges with rates moving in a very narrow range. The dollar weakened overnight in New York following the release yesterday of the US December retail sales figures which, unexpectedly, showed a fall of 1.3%. Sterling was quietly firm; the ERI edged up 0.1 to 79.4.

The pound gained almost a cent last night in New York, closing against a softer dollar at 2.3957. This morning it opened at 2.3960 and, after touching 2.3980 in early business, settled to trade around 2.3950. Business was generally light but the rate started to give ground falling to 2.3895 shortly after noon as Euro-dollar rates temporarily firmed and the dollar strengthened. Small amounts of professional selling from the Continent, particularly Switzerland, were seen but the volume was small. By early afternoon the rate had regained the 2.3950 level and it closed firm at 2.3957. Euro-dollar rates were $\frac{1}{8}\%$ easier but with lower inter-bank rates sterling's forward premium narrowed to $4\frac{1}{2}\%$ and there was a covered differential against London of 3/16%.

The pound was almost unchanged on the Continent closing slightly below yesterday's benchmark levels in Germany and France at 4.77 $\frac{1}{2}$ and 11.04 respectively but moving to a new 3 $\frac{1}{2}$ -year high of 4.32 $\frac{1}{2}$ in Switzerland. The dollar was a little easier in all major centres, ending at 1.9920 in Frankfurt, 4.6085 in Paris and 1.8060 in Zurich. There was no pressure in the EMS where the Belgian franc (32.02) improved to 2 1/16% below the French franc while the lira (947.75) was 3 $\frac{1}{2}\%$ adrift. Elsewhere, Swedish support for the crown rose to \$95 mn. The yen closed at 203.30 in Tokyo and 202.90 in London.

Gold weakened further, hit by rising hopes for the release of the US hostages in Iran. Fixings were at \$561.50 and \$556.50.

Operations:	Market	+ \$14 mn.
	Fife Council	
	(PSB Guaranteed)	+ 11
	IDA	+ 11
	Interest	+ 9
	Government	+ 5
	Sundries	+ 3
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		+ \$53 mn.
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