

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 17th June 1981

A very quiet day on the exchanges. In light trading the dollar ended just a touch weaker in Europe. Sterling saw little activity but drifted slightly lower. The ERI eased 0.1 to 95.6.

As Fed Funds traded up to $19\frac{1}{2}\%$ in New York sterling fell briefly to 1.9890, but following the release of the US housing figures, which were unexpectedly weak in May, the dollar turned and sterling recovered to close at 1.9982. This morning, with the dollar having lost further ground in the Far East, sterling opened at 2.0027 and moved up quickly to 2.0065 in early business. A modest-sized Far Eastern selling order then entered the market and the rate moved back to 1.9995. Thereafter sterling traded narrowly around the 2.00 level for the balance of day, touching 1.9990 in the afternoon before the close was taken at 1.9995. In late business, however, as the dollar strengthened generally, sterling moved down to 1.9940. Three-month Euro-dollars were $5/16\%$ firmer over the day at 17% . Sterling's forward premium narrowed slightly to $4\frac{3}{4}\%$ and there was a covered differential of $\frac{1}{4}\%$ in favour of London.

The pound was a little lower on the Continent, losing $\frac{1}{2}\%$ in Switzerland ($4.08\frac{1}{2}$) and $\frac{1}{4}\%$ in Germany ($4.68\frac{1}{2}$) and France ($11.12\frac{3}{4}$). The dollar, too, was weaker in these centres, closing at 2.0429, 2.3430 and 5.5645 respectively (later 2.0490, 2.3517 and 5.5650). EMS was $1\frac{3}{4}\%$ wide between the deutschemark and the Belgian franc (38.23). The French franc continued to improve within the arrangement and the Bank of France bought deutschemarks worth \$79mn. The Irish sold \$30mn. The yen closed almost unchanged at 220.42.

Gold was a quiet market and the price slowly gave up further ground. Fixings were at \$463.25 and \$461.75.

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|-------------|----------|---|---------------|
| Operations: | Interest | + | \$6mn. |
| | Sundries | + | <u>3</u> |
| | | + | <u>\$9mn.</u> |

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