

THE DEPUTY GOVERNOR.



FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 27th August 1981

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The approaching month-end and the coming Bank Holiday in London made for a much quieter day on the exchanges. The dollar was a little easier overall. Sterling looked soft this morning following reports of a reduction in the Nigerian oil price but survived the session without problem. The ERI closed unchanged at 91.4.

The pound closed better at 1.8430 yesterday in New York, where the dollar was generally easier. Federal funds traded below 10% before closing at 15%. This morning, the dollar began at yesterday's softer New York closing levels but sterling was marked down to 1.8355 as sentiment was affected by the news of the Nigerian oil price. The dollar hardened on the early exchanges but sterling was little moved and established a trading range around 1.84. This persisted through the morning - the pound touching 1.8417 - even when eurodollars eased and the dollar weakened again. This afternoon, with Federal funds between 17 and 17½%, the dollar recovered much of its lost ground. Sterling dipped to 1.8365 but rebounded obstinately to close at 1.8390. Three-month eurodollars were ½% easier at 18½%. The forward premium narrowed to 5½% and the covered differential fell to ¼% in London's favour.

The pound was little changed in Frankfurt (4.55½) and gained ¼% in each of Paris (10.90½) and Zurich (3.95½). The Swiss (2.1517) and French (5.92½) francs were barely changed on the dollar, the deutschemark slightly firmer at 2.4755. EMS widened to 2.1/16% between the deutschemark and Belgian franc (40.52). The Bundesbank sold \$25 mn. at the fixing and the Bank of France recouped \$46 mn.- worth of deutschemarks. The yen eased slightly to 230.90.

Gold reflected the dollar's movements, fixing at \$414.75 this morning and \$411.75 this afternoon.

Operations:	Market	- \$7 mn.
	Interest	+ 21
	Australia	+ 20
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		+ \$34 mn.
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