

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 8th January 1982

Some slight softening in Federal Funds and a large increase in US unemployment took the dollar lower today. Sterling moved up in line with other currencies. The ERI rose from 91.7 to 91.8.

The pound closed at 1.9182 in New York yesterday, having been bid up earlier to 1.9225. This morning, with the dollar a little easier, it opened at 1.9217 and again touched 1.9225 on the early exchanges. When the dollar turned, however, sterling led the way down, hitting 1.9135 late this morning. New York opened to witness US unemployment having risen from 8.4% to 8.9%. Federal Funds were at  $12\frac{1}{8}\%$  and tending lower. The dollar relapsed and the pound advanced to 1.9255 before closing at 1.9230. Three-month Euro-dollars finished  $3/16\%$  lower at  $13\frac{9}{16}\%$ , sterling deposits lost  $\frac{1}{8}\%$  ( $15\frac{3}{8}\%$ ). The cost of forward cover widened slightly to  $1\frac{1}{2}\%$  p.a and the intrinsic premium was unchanged at  $5/16\%$ .

The pound was fractionally softer against the deutschemark ( $4.33\frac{3}{8}$ ) and French franc ( $10.99\frac{1}{2}$ ) but a touch firmer against the Swiss franc ( $3.50\frac{1}{4}$ ). The dollar eased to 2.2535, 5.7197 and 1.8240 respectively against these currencies. EMS remained  $1\frac{11}{16}\%$  spread between the French and Belgian (38.41) currencies. The Irish sold \$24mn. Elsewhere the Swedes spent \$37mn. and the Japanese \$59mn. The yen closed at 221.

Gold was fixed at \$397.75 and \$400.25, the metal mirroring the dollar's performance.

Operations:-	Market	+	\$6mn.
	Sundries	+	6
			<u>          </u>
			+ \$12mn.
			<u>          </u>
	Overnight	-	\$14mn.
			<u>          </u>

*Jem*  
8th January 1982.  
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