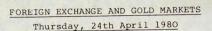
THE DEPUTY GOVERNOR



Overnight selling in New York gave the dollar a weak start from which it did not recover. Sterling began brightly enough, but soon met sizable offerings from the Middle East and later on commercial account. In an active market the ERI closed unchanged from last night at 73.5, after 73.3 this morning.

Having closed a lively session in New York at 2.2745, over 1½ cents above the previous London close, sterling began this morning at 2.2740. Middle Easterners soon appeared as sellers, however, and the rate quickly dropped to 2.2560 against a dollar which was tending to weaken elsewhere until the market steadied and sterling traded up to 2.2675 at noon. The afternoon followed a similar pattern: early selling, this time from a commercial source, took the rate down to 2.2590, and then, after a brief recovery, to 2.2575, before a rise to 2.2670 at the official close. There was a good level of business. 3 months' euro-dollars rose to 16% before closing the day at the opening level of 15%; with the cost of cover steady at 13/16%, the covered margin in favour of sterling widened to ½%.

Sterling eased back on the Continent, to 4.11% in Germany and to 3.84% and 9.60 against the Swiss and French francs. These currencies all gained in New York, where the Fed bought \$109 mn. against marks and \$25 mn. against Swiss francs. The mark (1.8170) and the French franc (4.2350) kept most of the ground, but the Swiss franc fell back to 1.6965. The Germans bought \$24 mn. In the EMS, the Danish crown (5.6987) closed at the bottom, 1 13/16% adrift of the French franc; the Danes sold \$16 mn. and \$5 mn.-worth each of marks and French francs. The Swedish crown strengthened over the day, but nevertheless received another \$46 mn. of support. The yen closed at 244.85 in Tokyo and subsequently at 244.15 in London.

Gold met some demand today, fixing at \$514 $\frac{1}{4}$  and \$515.70 and later trading up to \$524 $\frac{1}{2}$ .

Operations: Market - \$3 mn.
India + 23
IDA + 7
Bangladesh - 18
Sundries + 3
+ \$12 mn.

