

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSFriday, 2nd May 1980

Another quiet day. The dollar strengthened as some upturn in deposit rates seemed to herald an end to the recent slide in interest rates. The size of the US unemployment figure, too, was taken by some to show the depth of the recession and the hope of some real improvement on the inflation front. Sterling alone withstood the dollar's advance and the ERI rose to 73.2.

The pound closed at 2.2582 in New York yesterday and opened at 2.2625. Despite a much firmer dollar it traded all day between 2.2582 and 2.2660, propped this morning by a large order on Central Bank account. Otherwise, however, the market was thin. The closing level was 2.2630 but later the IMM bid for dollars and sterling fell to 2.2515. Three months' cover cost 2 11/16% p.a. and sterling's intrinsic premium was 9/16%.

The pound gained 7/8% in Paris (9.59 1/2), 1 1/4% in Frankfurt (4.11 1/2) and 1 3/8% in Zurich (3.81 1/2). The deutschemark and Swiss franc weakened to 1.8181 and 1.6867 respectively. There was no significant intervention abroad. The EMS narrowed to 1 1/2% between the French franc (4.2382) and lira (852.25). The yen closed at 240.10 in Tokyo and 240.12 in London.

Having recovered in New York yesterday, gold opened easier, then firmed modestly over the day. Fixings were \$510 and \$512.50.

Operations:	Market	- \$7 mn.
	BIS	+ 42
	Interest	+ 12
	Crown Agents	- 15
	Sundries	- 1
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		+ \$31 mn.
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	Overnight and Bank Holiday	+ \$11 mn.
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