

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 8th May 1980

A featureless day on the exchanges, with little volume of note, saw the dollar appreciate slightly, although for no accountable reason. The movement was accompanied by a modest firming in deposit rates. Sterling held firm, as usual, and the ERI rose to 73.3.

The pound closed strongly at 2.2920 in New York yesterday. This morning it opened at 2.2855 and traded all day in a narrow range twenty points either side of that price. Little interest in pounds was generated. The cancellation of the recall of Special Deposits had no impact. Sterling eased to the lower end of its range this afternoon when the dollar was generally at its best. The pound closed at 2.2843. Forward margins widened with sterling deposits more than matching the uptick in eurodollar rates. Three months' cover cost $5\frac{1}{8}\%$ p.a. and the covered differential was $\frac{1}{8}\%$ in favour of London.

The pound gained $\frac{1}{2}\%$ in Paris (9.59 $\frac{1}{2}$) and Frankfurt (4.09 $\frac{1}{2}$) and $\frac{3}{8}\%$ in Zurich (3.79 $\frac{3}{8}$). The deutschemark and the Swiss franc both eased on the dollar to 1.7935 and 1.6607 respectively. The Swiss swapped out \$45mn. The French franc (4.20) and Italian lira (845) continued to top and tail the EMS, 19/16% apart. The Danes sold \$8mn. as their krone neared the bottom of the band and the Irish bought \$19mn. as the punt moved nearer the top. The yen closed at 232.65 in Tokyo and weakened further to 233.55 in London on a report that the US intended to restrict imports of Japanese cars.

Gold traded steadily, a touch firmer than yesterday, following yesterday's IMF auction which was very well covered. Fixing levels were \$513.75 and \$515.75.

Operations:	Market	- \$4mn.
	Iran	+ 50
	Iraq	+ 23
	Interest	+ 13
	Sundries	+ 1
		<u> </u>
		<u>+\$83mn.</u>

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