



THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 12th May 1980

The dollar weakened today as deposit rates eased again in the wake of another substantial fall in the US monetary aggregates. Sterling was fairly steady but felt the weight of some sizeable commercial selling and lost ground against the Continental currencies. The ERI fell to 72.9.

The pound closed at 2.2725 in New York on Friday and opened at 2.2755 this morning. The morning was fairly quiet and the pound traded within sight of the opening level throughout, falling no lower than 2.2733. Two large selling orders - from the same commercial source - were the feature of the day and these impacted from early afternoon. With New York's return, however, the dollar was offered and sterling moved ahead, though lagging the European currencies. After touching 2.2830, sterling closed at 2.2815. Eurodollars softened and forward margins widened, the three months' to 6% p.a. discount. The covered differential was 1/16% in London's favour.

The pound lost 1/8% in Paris (9.56%), 3/8% in Zurich (3.79%) and 1/2% in Frankfurt (4.09). The deutschemark was in commercial demand from London and strengthened to 1.7929. The Bundesbank bought \$30 mn. The Swiss franc firmed to 1.6627. The EMS expanded to 1 15/16% in width, the French franc (4.1930) at the top and the lira (846.70) returning to the bottom. The Dutch took in marks worth \$6 mn. as their guilder resumed second place. The Swedes spent \$135 mn. as their krona came under pressure following the enforced national wage settlement. The yen closed at 230.25 in Tokyo, where the Japanese took in \$25 mn., but firmed sharply to 227.10 in London on active buying from Switzerland and Germany.

Gold was quiet and featureless but a touch firmer for choice. Fixings were \$510.50 and \$513.25.

Operations:	Market	+ \$10 mn.
	Iran	+ 30
	Iraq	+ 11
	Sundries	+ 8
		<hr/>
		+ \$59 mn.
		<hr/>

12th May 1980  
JGH