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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 13th May 1980

Taking their cue from tomorrow and Thursday, the exchange markets have had a day of relative inaction. The dollar opened weak on interest rate considerations but recovered to last night's levels. There was some professional buying of sterling this morning but the ERI remained at 72.9.

In New York last night the pound rose to 2.2885, but this was a dollar movement. Having opened today at 2.2825 it slipped to 2.2817, then recovered swiftly, helped by a European professional, to 2.2895. After a steady period either side of noon it drifted down to close at the day's low of 2.2816. With Eurodollars depressed and forwards a touch narrower, the covered differential remained at 1/16% in London's favour.

The pound was a little firmer against the Swiss franc (3.79%), French franc (9.58%) and deutschemark (4.09%). There were no particular features in the European currencies except continuing pressure on the Swedish krona: the Riksbank spent \$51mn. The Germans and Dutch each bought \$15mn. EMS narrowed to 1% between France (4.2010) and Italy (845%). The deutschemark ended the day at 1.7931 (after 1.7806 this morning), the Swiss franc at 1.6650. Last night the Fed bought \$81mn. against deutschemarks as selling pressure continued. This morning the Japanese bought \$10mn., the yen closing in Tokyo at 227.40; Swiss buying took the rate in London to 226.30 but it closed at 227.25.

Gold fixed at \$510 and \$512.

Operations:	Market	+ \$5mn.
	Interest	+ 21
	Australia	+ 5
	Mauritius	+ 5
	Ghana	- 13
	Bangladesh	- 11
	Sundries	- 3
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		+ \$9mn.
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