

THE DEPUTY GOVERNOR



FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 14th May 1980

As expected, a very quiet day on the exchanges but gold experienced a rally after the Saudi Arabian oil price increase was reported. The dollar moved a little lower whilst sterling improved enough to push the ERI up to 73.1.

There were no special features in New York where the pound closed last night at 2.2877. The market opened punctually in London this morning with the rate at 2.2840. Although easing to 2.2832 in mid-morning it improved in reluctant trading to 2.29 and closed at 2.2886. Eurodollars ended at 10 11/16% for three months and forward margins widened, leaving the pound at an intrinsic discount of 1/8% p.a.

Sterling was slightly firmer in Europe - rising to 4.09 1/4 in Germany, for example. The deutschemark moved very little, ranging between 1.7937 and 1.7887 against the dollar before closing at 1.7909. EMS remained bounded by the French (4.1870) and Italian (844.45) currencies, 1 13/16% apart. Only the Swedes intervened, selling \$38 mn. Yesterday, as the dollar weakened on interest rate fears again (the Fed were ready suppliers of liquidity at 11%) deutschemarks equivalent to \$28 mn. were sold by the Fed. In Tokyo the yen closed today at 228.30; in London it improved to 226.80 in line with the general move against the dollar.

Gold fixed at \$518.50 this morning but renewed buying interest boosted the second fixing price to \$525.

Operations:	Market	+	\$9 mn.
	PSB		
	(Electricity)	+	73
	BIS	+	14
	Interest	+	8
	Sundries	-	1
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		+	\$103 mn.
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	Overnight	+	\$18 mn.
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DAHB