



THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 15th May 1980

The Ascension Day holiday closed most other European centres and served to keep the morning session quiet and steady. The Prime Minister's remarks indicating no early declension of interest rates served to boost the pound this afternoon, however, and the ERI rose to 73.5.

Aggressive buying of pounds by the IMM forced sterling up to 2.3055 in New York last night, before it closed at 2.2980. This morning, having opened at 2.2930, the rate drifted down to 2.2910 but it rallied sharply as New York opened and the Prime Minister spoke, closing at 2.3025. Forward margins were marked out as hopes faded of an early MLR reduction: the cost of cover rose to 6 $\frac{1}{2}$ % p.a. and, with interest rates slightly lower all round, the intrinsic discount for sterling rose to $\frac{1}{2}$ %.

The pound's advance against the dollar of about $\frac{1}{2}$ % was reflected in its performance against the deutschemark (4.12 $\frac{1}{2}$), French franc (9.64 $\frac{1}{2}$) and Swiss franc (3.83 $\frac{1}{2}$). The dollar was slightly firmer against most other currencies with closing rates near to last night's levels. The deutschemark ended at 1.7919, the French franc 4.1877, Swiss franc 1.6652 and yen 227.65 (having closed in Tokyo at 227.50). The lira showed the only improvement, to 842.85.

Gold was steady at the lower levels reached in New York later yesterday: it was fixed at \$516.25 and \$517.

Operations:	Market	+ \$1 mn.
	Nigeria	+ 40
	PSB	
	(British Air)	+ 40
	Interest	+ 6
	Sundries	- 1
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		+ \$86 mn.
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DAHB

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