

FOREIGN EXCHANGE AND GOLD MARKETSWednesday, 21st May 1980

For once, sterling made most of the running. Oil price rises encouraged widespread buying, and the ERI rose 0.8 to 74.1, equalling the highest recorded since the index was rebased. The dollar was soft, on yet lower interest rates, without being routed. A heavy vote against separatism in the Quebec referendum made for a strong Canadian dollar.

Sterling closed in New York at 2.2982, and began the day in London at 2.3010 against a queasy dollar. It soon came into demand in its own right, as the further spate of oil price increases stimulated widespread buying, with Swiss and German banks prominent. 2.31 was reached by mid-morning, and the pound traded as high as 2.3305 in mid-afternoon when New York and the Chicago exchange joined in. The official close was struck at 2.3265, one active Middle Eastern bank having sold some pounds, but he came back as a buyer in late trading to carry the rate to 2.3330, the highest since last July. Euro-dollars fell unevenly, 3-months' deposits closing about $\frac{1}{2}\%$ down at 10 11/16% after allowance for technical factors. With the cost of cover unchanged at 6 3/16%, sterling went to an intrinsic premium of $\frac{1}{2}\%$.

The pound gained $\frac{1}{2}\%$ against the mark, to 4.16, and closed stronger at 3.86 $\frac{1}{2}$ and 9.68 $\frac{1}{2}$ in Switzerland and Paris too. The dollar weakened generally in New York and remained soft in Europe, without being put to flight. Federal funds traded down to 9 $\frac{1}{2}\%$ (albeit on make-up day). The mark closed 1 $\frac{1}{2}$ pfennigs stronger at 1.7882 after 1.7866. Good demand was seen for the French franc (4.1645), which stretched its lead over the lira (842.40) to 2 $\frac{3}{4}\%$. The Banque de France bought \$22 mn. The other EMS currencies all strengthened without particular feature, as did the Swiss franc (1.6612). The SNB bought \$335 mn. on the swap. The Norwegians bought \$10 mn., but their neighbours in Sweden again supported their crown, today with \$73 mn. The Bank of Japan however bought \$257 mn. as the yen advanced to 224.80 in Tokyo; 223.30 was seen early in London, but the currency retreated to 224.55 at the close. A resounding vote against separatism in Quebec gave the Canadian dollar a fillip; it strengthened 1 $\frac{1}{2}\%$, the Bank of Canada having added \$94 mn. to reserves yesterday.

Gold was a quiet market, with fixings at \$511 $\frac{1}{2}$ and \$513 $\frac{1}{2}$.

Operations:	Market	+ \$52 mn.
	Interest	+ 5
	Sundries	- 15
		<hr/>
		+ \$42 mn.
		<hr/>

Overnight	+ \$7 mn.
-----------	-----------