

THE DEPUTY GOVERNOR

GOLD AND FOREIGN EXCHANGE MARKETSThursday, 5th June 1980

Exchange markets were quiet today and the dollar remained generally steady, save against the pound and yen. Sterling gained ground in late morning on modest demand and held its gains following the unchanged MLR. The lira suffered from rumours of an impending devaluation. Sterling's ERI rose to 73.7.

The pound closed at 2.3252 in New York yesterday and opened at 2.3245 today. The morning session was quiet. Later a small commercial buying order and some Swiss professional interest combined to lift sterling to 2.3295 and, with MLR unchanged, the gains were later consolidated. A temporary decline in the dollar took the pound to 2.3325 this afternoon, but, as the dollar recovered, sterling dipped to 2.3275 before closing at 2.3305. Forward margins narrowed in anticipation of a token cut in MLR but widened again after the announcement. Three-months' cover cost 6 13/16% but, with Eurodollars considerably easier, sterling's intrinsic premium fell to 1/8%.

The pound gained 1/8% in both Switzerland (3.83 1/2) and Germany (4.13 1/2) but only 1/4% in France (9.62 1/2). EMS widened considerably to 2 3/16% as the lira (835.75) met talk of devaluation. The Italians gave \$60mn. in support. The French franc (4.1292) continued to lead the band. The Deutschemark was 1.7736 and the Swiss franc 1.6465. The Norwegians took in \$29mn. and the Irish \$8mn. The Swedes spent a further \$50mn. as the dock strike continued to weigh heavy on their krona. The yen continued very firm, closing at 221.60 in Tokyo and touching 219.35 in London before closing at 2.2002.

Having topped in New York yesterday at \$584, gold met profit-taking this morning and traded down to \$574 before an active fixing set a level of \$581.50. Good demand for silver at the noontide fixing kept gold on the boil and, despite a relapse at the later fixing (\$581.75), the yellow metal was bid up to \$589 by New York before closing at \$587.

Operations:	Market	+ \$12mn.
	Kenya	+ 12mn.
	Iraq	+ 12mn.
	Interest	+ 6mn.
	Ghana	- 8mn.
		+ \$34mn.
	Overnight	+ \$14mn.

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