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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 11th June 1980

A quiet session in which the dollar continued to gain modest ground as eurodollar rates hardened. Sterling alone held up, probably in response to a large buying order on official account. The ERI rose to 73.7.

The pound eased to 2.3295 in New York yesterday and opened at 2.3312 this morning. The opening exchanges were quiet and the pound touched 2.3310. Later, a single Central Bank buyer pushed sterling up to 2.3375 and the higher range prevailed well into the afternoon. A stronger dollar late in the day drove the pound back to 2.3310 but interest from the United States brought a recovery to 2.3346 at the close and subsequently to 2.3390. Eurodollars were upwards of $\frac{1}{8}\%$ better bid following the Federal Reserve's draining operations in the domestic market. Three months' cover, however, cost a little more at $7\frac{7}{16}\%$ p.a. and, with sterling deposits still relatively soft, an adverse covered differential of $5/16\%$ emerged.

The pound gained $\frac{1}{8}\%$ in both Paris (9.60 $\frac{1}{2}$) and Frankfurt (4.12 $\frac{1}{2}$) and $\frac{1}{8}\%$ in Zurich (3.80 $\frac{1}{2}$). Yesterday in New York, the Federal Reserve bought \$41 mn. for marks and \$2 mn. for Swiss franc; the Swiss took in \$2 mn. and the Japanese \$41 mn. Today the dollar required no support as the deutschemark eased to 1.7653 and the Swiss franc to 1.63. The yen weakened following the OPEC agreement to 217.70 in Tokyo and 217.72 in London. EMS was around 2 $\frac{1}{8}\%$ in width between the French (4.1140) and Italian (833) currencies. The Italians sold \$30 mn.; the Dutch bought marks worth \$34 mn.

Gold remained uncertain and traded below \$600 for most of the day, the fixings setting levels of \$595 and \$596. Late in the day, New York bid the metal up to \$604.

Operations:	Market	+ \$14 mn.
	BIS	+ 50
	India	+ 12
	Interest	+ 10
	Sundries	- 3
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		+ \$83 mn.
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	Overnight	+ \$33 mn.
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