

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 12th June 1980

Another largely insignificant day. Sterling, however, traded erratically at times. The ERI was unchanged at 73.7.

The pound met strong demand in New York yesterday and closed over a cent better at 2.3475. This morning, it opened at 2.3435 and, with some residual buying interest evidently still around, was bid up to 2.3470 before settling to trade quietly around opening levels. Later, however, the rate began to drift and sellers came out in advance of the MLR announcement, pushing sterling down to 2.3350. The announcement brought a temporary recovery to 2.34 but sellers re-appeared from New York and the pound retreated again to 2.3350. The rest of the day was quieter and sterling see-sawed between 2.3420 and 2.3357 before closing at 2.3380. Dollar deposits were fractionally softer and three-months' cover rose to 7 9/16% p.a. Three-month sterling deposits, however, firmed - against the general trend - so that the adverse covered differential fell to 3/8%.

The pound was little changed against the deutschemark (4.12 1/2), Swiss franc (3.80 1/2) or French franc (9.61 1/2). Against the dollar, these were all marginally firmer at 1.7629, 1.6265 and 4.1120 respectively. The Federal Reserve bought \$18mn. yesterday, but the dollar received no support today. EMS remained around 2 1/2% spread between the French franc and lira (832.85). The Italians sold a further \$90mn. The Irish, too, spent \$20mn. but the Dutch bought marks worth \$28mn. and the Norwegians took in \$26mn. In Tokyo the yen weakened to 220 on Ohira's death but closed there at 218.20 and rose further to 216.87 in London.

Gold remained uncertain and traded, for the most part, on the soft side. Fixings were \$588.75 and \$590.

Operations:	Market	+	\$5mn.
	Interest	+	7
	Zambia	-	12
	Sundries	-	1

- \$1mn.

Overnight + \$4mn.

*JGH* 12th June 1980.

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