

✓

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 16th June 1980

Dollar deposits were $\frac{1}{2}\%$ firmer today, following significant increases in the US monetary aggregates on Friday, and the dollar hardened in consequence. Sterling was a dull market for much of the day but the trade figures were well received this afternoon and brought a firm close for the pound. The ERI rose to 73.9.

The pound closed at 2.3447 in New York on Friday and opened at 2.3420 this morning. Some early Swiss selling took sterling down through 2.34 but it turned at 2.3375 and steadied to trade quietly around 2.34 through the morning despite a strengthening dollar. Further sellers early this afternoon took sterling back to 2.3379 but the trade figures gave a surprise fillip and the pound traded up to 2.3465 before closing at 2.3455. Later, however, the dollar advanced sharply across a broad front and sterling fell back to 2.3377. Forward margins narrowed, the three-months' to $7\frac{1}{2}\%$ p.a. discount. This gave sterling a very small intrinsic premium on the usual comparison.

The pound gained $\frac{1}{8}\%$ in Paris (9.63 $\frac{1}{2}$), $\frac{1}{8}\%$ in Frankfurt (4.13 $\frac{1}{2}$) and $\frac{1}{8}\%$ in Zurich (3.81 $\frac{1}{2}$). Against the dollar the Swiss franc eased to 1.6250 (later 1.6435) and the deutschemark to 1.7642 (later 1.7717). On Friday, the Federal Reserve bought \$65mn. against marks. EMS closed at 2 $\frac{1}{4}\%$ in width between the French franc (4.1077) and lira (833.25) and the Bank of Italy sold \$69mn. The Irish took in \$21mn. and the Dutch bought deutschemark worth \$23mn. The yen closed at 215.50 in Tokyo and 215.68 in London. The Japanese bought \$5mn. in New York on Friday and \$28mn. in Tokyo this morning.

Gold fell back before the burgeoning dollar. The market was generally lacklustre and continued to seek for direction. However, the later fixing again attracted heavy turnover. Fixing levels were \$599 and \$595.

Operations:	Market	+	\$203mn.
(\$196mn. O/R forward			
o/a ECGD)			
	India	+	12
	Interest	+	7
	Government	+	6
	Sundries	+	4
			<hr/>
		+	\$232mn.
			<hr/> <hr/>

JGH
16th June 1980.

JGH HO-2