

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSThursday, 19th June 1980

Sterling was sold this morning on interest rate expectations but recovered once MLR was seen unchanged. The dollar improved a little, partly on sterling's early weakness and partly on a modest firming in eurodollars. Sterling's ERI rose to 73.5.

The pound closed at 2.3320 in New York yesterday but opened at 2.3260 this morning after selling in the Far East. With dealers widely anticipating a reduction in MLR, the pound was sold down to 2.3165 this morning by European banks before turning. However, sterling deposit rates brought a gradual recovery and sterling was back to opening levels by the time of the MLR announcement. The afternoon started steadily but American short-covering later brought a rally to 2.3295 at the close. Forward margins closed little changed. Three-months' cover cost  $7\frac{1}{2}\%$  p.a. and the covered differential was  $\frac{1}{2}\%$  in London's favour.

The pound regained most of yesterday's losses against the deutschemark (4.12), Swiss franc (3.80 $\frac{1}{2}$ ) and French franc (9.57 $\frac{1}{2}$ ). These all eased against the dollar to 1.7682, 1.6317 and 4.1117 respectively. The French franc regained hegemony in EMS, 2 $\frac{1}{2}\%$  above the lira (835.95). The Italians sold \$44mn. and the Irish sold \$6mn. The yen closed at 216.40 in Tokyo and 216.45 in London.

Gold failed to hold yesterday's closing levels in New York but traded steadily through today in Europe. Fixings were \$598 and \$599.

Operations:	Market	+	\$21mn.
	Interest	+	22
	Iraq	+	19
	India	+	12
	Sundries	+	4
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		+	\$78mn.
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*JGH* 19th June 1980.

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