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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 23rd June 1980

Very heavy demand for sterling was seen today for oil producer account, although by the close most rates had subsided near to pre-weekend levels. The ERI was steady at 73.8.

In New York on Friday the pound drifted back to close at 2.3340. It opened the week in London at 2.3377 and, although briefly easing to 2.3370, soon rose to 2.3437 as the brunt of the large order was absorbed. Thereafter it fluctuated down to the opening level before closing at 2.3391. With Eurodollars easing to 9 3/16%, following the Morgan Guaranty prime rate reduction, and sterling interbank edging up to 16 15/16%, the covered differential moved to 1/16% p.a. in London's favour.

On the Continent sterling had mixed fortunes, being unchanged in Germany, easing to 9.59% in France but rising to 3.82 in Switzerland. The dollar had a similar experience. EMS remained 1 13/16% wide between France (4.1015) and Italy (835.30) with the lira requiring \$154mn. of support. The yen advanced to 215.40 in Tokyo, where the Japanese bought \$17mn., but was easier in London at 216.10.

The Russian withdrawal of some troops from Afghanistan knocked a few dollars off the gold price in Far East markets. London traded steadily and the fixings were at \$596 and \$596.50.

Operations:	Market	+ \$80mn.
	Iran	+ 10
	Iraq	+ 9
	Interest	+ 5
	Ghana	- 6
	Sundries	+ 4
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		+ \$102mn.
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DAHB HO-2 *JMB*