

FE 440-07

MR COLEBY)
 MR GEORGE) separate copies
 MR BYATT)

M. Byatt

Thank you for telephoning. President suggests that, despite X, an on return note would be welcomed.

Alastair Clark

24.6.80.

ON RETURN NOTES FOR THE DEPUTY GOVERNOR

X ~ The Deputy Governor has received a number of market reports and other papers during his recent period of leave but I think it would be helpful if you could arrange for a short resume to be prepared - if possible to be with me by 4.00 pm 25. 6.80 - on the main developments in the money, gilt-edged and foreign exchange markets over the period 11-25 June inclusive.

Deputy Governor's Secretariat HO-P
 24 June 1980

T A *Clark* (4498)

DAH B 25/62

FE 440.07

Mr Sangster

SECRET

25. 6.80.

Thank you. I know it is a long battle but I continually suggest that the terms used about the exchange rate should be neutral. I certainly don't regard any rise from present levels as an improvement in any sense.

Copies to: Mr. Loehnis
Mr. Sangster

Cwm 266

Foreign Exchange and Gold Markets
11th-25th June 1980

risen!

There has been exceptional stability in exchange rates during the past fortnight and for the most part sterling has traded quietly in the range 2.33-2.34. The ERI has improved marginally to 73.7. Concern about the timing of a reduction in United Kingdom interest rates continues to overhang the market with some selling in advance of an MLR announcement, subsequently reversed. After the earlier rapid decline, Euro-dollar rates remained fairly steady around 9 1/2% for three-months and the covered premium for forward sterling is unchanged at 1/2%.

Although the Fed cut discount rate to 11% and banks' prime rates have been reduced to 12% (with Morgan Guaranty alone at 11 1/2%), any impact on the dollar has been short-lived. There has been no further easing by the Fed. Support for the dollar was mostly in the earlier part of the period and, with the exception of the Japanese, has not been large. The EMS has steadily widened and the lira has come under pressure on rumours of devaluation and on deteriorating balance of payments figures. It is now 3% below the French franc. The yen weakened briefly on news of Ohira's death but overall is little changed. The Swedish crown has continued to receive regular but moderate support.

Gold for the most part has been a quiet market, trading either side of the \$600 level. There was a rally today which started in New York last night on news of the large United States budget deficit for May. Fixed this afternoon at \$622 1/2.

25th June 1980.

TRS

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Main Exchange Rates

<u>\$</u>	<u>10th June close</u>	<u>25th June (3 p.m.)</u>
£	2.3337	2.3330
DM	1.7608	1.7680
SF	1.6220	1.6363
FF	4.1035	4.1035
Yen	216.90	217.67
<u>£</u>		
DM	4.10 $\frac{2}{8}$	4.12 $\frac{1}{2}$
SF	3.78 $\frac{1}{2}$	3.81 $\frac{3}{4}$
FF	9.57 $\frac{3}{8}$	9.57 $\frac{3}{8}$
£ effective	73.5	73.7
Gold	\$604	\$622 $\frac{1}{2}$

Intervention abroad (main items)

Italy	-	1,058
Japan	+	509
Sweden	-	184
USA	+	172
Canada	+	55 (net)
Switzerland	+	35
Germany	+	28

EEA Transactions

Operations + 637 (market + 359 o/w + 196 outright forward
o/a ECGD,
+ 80 PSB)

Forward book + 451 (including + 196 o/a ECGD)

The fall in the spot reserves in the month so far is
\$60mn. after net debt repayments of \$133mn.