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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 27th June 1980

Sterling continued buoyant for much of the day as short positions were covered, from the United States in particular. The dollar remained soft. Sterling's ERI rose to 74.1. Gold broke into new higher ground.

The pound was well traded in New York yesterday, especially by the IMM, and closed at 2.3525. This morning, with the dollar a little above yesterday's depressed New York closing levels, sterling opened at 2.3460, but quickly ran up to 2.3495 before drifting back to 2.3415 on some isolated Swiss selling. With the return of American markets, the pound picked up strongly. The Swiss, too, were taking losses and sterling rose to 2.3540 in mid-afternoon before selling on oil company account drove the rate back to 2.3495 at the close. Deposits and forwards were little changed. Three-months' cover cost 7 3/16% p.a. and sterling's intrinsic premium was 1/2%.

The pound gained 1/8% in Paris (9.62 1/4), 1/8% in Frankfurt (4.14 1/2) and 1/8% in Zurich (3.82 3/4). The Federal Reserve bought \$71mn. yesterday against marks but with the dollar steady today, albeit still depressed, there was no official support. The Swiss franc was 1.6292 and the deutschemark 1.7642. EMS widened to 3 1/2% between the French franc (4.0975) and lira (841 1/2) and the Italians spent \$465mn. The yen closed at 217.60 in Tokyo and 217.70 in London.

After dipping in New York yesterday, gold broke through the \$625 resistance level this morning and strengthened throughout the day. Good two-way business was seen but investment demand predominated. Fixings were \$631.50 and \$637.60.

Operations:	Market	+	\$15mn.
	Sundries	+	<u>4</u>
		+	<u>\$19mn.</u>

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