

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSThursday, 17th July 1980

Sterling was a little subdued this morning and suffered one or two nervous moments ahead of the MLR announcement. With MLR unchanged, however, the pound gained a new lease of life and steady demand this afternoon made for a strong close. The dollar, having fallen further overnight following a significant decline in deposit rates, was relatively stable in Europe today. Sterling's ERI closed unchanged at 74.5 (after 74.3 this morning).

The pound closed at 2.3785 in New York yesterday, after business at 2.3810. This morning it began at 2.3766 and tended softer through the morning, touching 2.3725 at one stage. Just before the MLR announcement, sterling was sold down to 2.3713 but within minutes of the news of an unchanged rate, there was business at 2.3775. The afternoon saw a good, two-way market but buyers often gained the upper hand and 2.3798 was paid for pounds shortly before the close at 2.3790. Euro-dollar and sterling deposits were both softer by  $\frac{1}{8}$ -%. Forward margins, however, widened after the MLR announcement, principally because some Continental banks had lent sterling in size in anticipation of a change. Three-months' cover thus cost 6 5/16% p.a. and this made for interest parity.

The pound was a fraction easier in France (9.59 $\frac{1}{2}$ ), Germany (4.13 $\frac{1}{2}$ ) and Switzerland (3.79 $\frac{1}{2}$ ). The dollar was a good deal lower in all these centres at 4.0347, 1.7367 and 1.5967 respectively. The Federal Reserve bought \$102mn. for marks yesterday but there was no significant support in Europe today. The Bundesbank bought \$1mn. but sold \$44mn. in cover of capital exports. EMS narrowed a little to 3 9/16% between the French and Italian (827.55) currencies. The Danes sold \$6mn. and the Irish bought \$6mn. The yen closed at 218.05 in Tokyo and 218.55 in London.

Gold was much steadier and rarely moved outside the \$625-630 range. Fixings were \$630.25 and \$627.25.

Operations:	Market	+	\$12mn.
	Iran	+	15
	Interest	+	6
	Botswana	+	5
	Bangladesh	-	36
	Sundries	+	2
			<hr/>
		+	\$4mn.
			<hr/> <hr/>

*JGH* 17th July 1980.

JGH