

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSTuesday, 22nd July 1980

After opening yet easier, the dollar enjoyed a comfortable day. Sterling was again a good, two-way market at first but late this afternoon American appetites were whetted - perhaps by the new tap - and after the close the pound traded to a five-year high. The ERI rose from 74.7 to 74.8 and later rates suggested a level of 75.0.

The pound closed at 2.3820 in New York and opened at 2.3805 this morning. Despite a softer dollar, sterling was subdued this morning as the early exchanges felt the effect of a large Antipodean, commercial selling order placed in the Far East. Other centres, however, produced a reasonable, two-way market in pounds. Later this morning, the unemployment figures proved supportive and sterling began to advance. Americans showed somewhat more interest and 2.3850 was paid in mid-afternoon. Some, however, saw this as an official ceiling and the rate came down to close at 2.3842. Later, however, good buying interest emerged from New York, partly, it was said, in appreciation of the Governor's words of yesterday and partly, no doubt, with an eye to the new tap stock, since rather more market participants are now looking for a reduction in MLR this week or next. Dollar and sterling deposits closed a fraction softer. The cost of three-months' cover rose a little to 6½ p.a. and sterling's intrinsic premium remained at ½%.

The pound was little changed against the Swiss franc (3.80¼), French franc (9.61¼) or deutschemark (4.14¼). The dollar was easier against all of these currencies at 1.5975, 4.0341 and 1,7380 respectively. EMS again closed at 3 7/16% in width, the Italians buying back a further \$90mn. The lira was 826.55. The Danes, too, bought \$5mn. The yen closed at 220.15 in Tokyo but eased to 220.86 in London.

Gold was dull and traded in a narrow range a little below yesterday's levels. Fixings were \$611.50 and \$613 and the close somewhat firmer at \$619.

Operations:	Market	+	\$19mn.
	Bangladesh	-	12
	Government	-	5
	Sundries	+	1
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		+	\$3mn.
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