

SECRET

THE DEPUTY GOVERNOR.

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 29th July 1980\*

The dollar continued a strong, technical recovery today as short-term US interest rates edged higher still, without any overt concern on the part of the Federal Reserve. Sterling eased in line with other European currencies and the ERI fell to 75.1.

The pound fell to 2.3795 in New York yesterday as the dollar continued to firm. This morning sterling opened at 2.3770, touched 2.3775, then declined rapidly to 2.3695 before the advancing dollar. Later, the movement was reversed, however, and the pound was restored to opening levels by late morning. A short burst of activity early this afternoon took sterling to 2.3810 but returning Americans bid aggressively for dollars. The morning's drama was then replayed. A sharp and rapid mark-down to 2.3710 was followed by a partial recovery to 2.3760 before the close at 2.3743. Later, however, sterling was traded down to 2.3690 as the dollar surged again. Eurodollars were around  $\frac{1}{8}$ % better bid. Forward margins, however, were little changed and, with the three months' at  $6\frac{1}{4}$ % p.a. discount, interest parity prevailed.

The pound gained  $\frac{1}{8}$ % in Paris (9.66 $\frac{1}{2}$ ) and  $\frac{1}{8}$ % in both Zurich (3.84 $\frac{1}{2}$ ) and Frankfurt (4.17). The dollar was much improved in all these centres at 4.0702, 1.6192 and 1.7561 respectively. EMS narrowed again to a little under 3% between the French franc and lira (830.15) and the Italians took in \$145 mn. With the deutschemark relatively weak, the Bundesbank sold \$11 mn. and the French bought deutschemarks worth \$33 mn. The Danes, too, purchased \$6 mn. The yen closed at 226.60 in Tokyo and was firmer in London for a while before closing at 226.70.

Gold traded within a narrow range, a little firmer than yesterday. Fixings were \$645.50 and \$646.75 and the close \$650.

Operations:	Market	+	\$5 mn.
	Interest	+	37
	India	+	19
	Sundries	+	9
			<hr/>
		+	\$70 mn.
			<hr/>

*gjm*  
29th July 1980.  
JGH