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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 11th August 1980

A fairly quiet start to the week on the exchanges found most currencies moving narrowly within the recent range. Sterling's ERI was unchanged throughout at 75.5.

The pound closed at 2.3745 in New York on Friday and opened at 2.3750 this morning. Good, two-way business on the early exchanges left sterling a good deal easier at 2.3685, but, when the dollar began to advance behind firmer eurodollar deposits, sterling, too, picked up to 2.3732. Thereafter, sterling traded quietly either side of 2.37 and closed at 2.3718. Both dollar and sterling deposits were better bid. Forward margins, however, narrowed - the three months' to 6 3/16% p.a. discount - and the covered differential fell slightly to 3/16% against London.

The pound was a little firmer in Paris (9.79%), a touch softer in Frankfurt (4.23) and 1/4% easier in Zurich (3.90%). Against the dollar, the French franc (4.1305) was weaker, the deutschemark (1.7838) unchanged and the Swiss franc harder (1.6465). On Friday, the Federal Reserve sold \$40 mn. for marks and \$5 mn. for Swiss francs. Today, the Bundesbank sold \$10 mn. on Federal Reserve account. EMS was a little under 3% in width between the French franc and lira (842.55). The French bought deutschemark worth \$14 mn. The yen closed at 226.50 in Tokyo but later firmed to finish in London at 225.80 after good demand for the currency from New York.

Gold opened easier, in the absence of any rise in Saudi oil prices, and tended weaker over the day. Some support was as usual found at the lower levels. Fixings were \$614.50 and \$617.

Operations:	Market	- \$5 mn.
	Iraq	+ 24
	India	+ 12
	Interest	+ 10
	Sundries	+ 3
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		+ \$44 mn.
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11 August 1980
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