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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 15th August 1980

With a number of European centres closed the exchange markets lacked body today; little business was transacted as sterling and the dollar moved gently firmer. The ERI again edged up, to equal the record 75.7 set a week ago.

In New York the pound closed last night at 2.3775. It opened a point higher in London this morning and closed at 2.3772, having ranged only between 2.3780 and 2.3728. (After the close, however, Middle East demand pushed the rate back through 2.38.) There was little change in interest rates but a slight widening of forward margins pared the covered differential to $\frac{1}{8}$ in London's favour.

Some selling of sterling seems to occur as the deutschemark cross-rate brushes against 4.25. Today the pound held an improvement to 4.24 $\frac{1}{2}$ whilst gaining also in terms of the French (9.83) and Swiss (3.91) francs. With three participants on holiday EMS was a nominal arrangement. At the close the French and Italian currencies were at the edges, 3% apart, on rates of 4.13 $\frac{1}{2}$ and 844 $\frac{1}{2}$ respectively. The Dutch bought \$25 mn. The deutschemark (1.7865) and Swiss franc (1.6445) were only a touch weaker whilst the yen eased to 224.65 in Tokyo and to 225.35 in London. The Norwegians bought \$71 mn.

Gold traded desultorily this morning, fixing at \$626. In the afternoon, following a dip down in price, good demand absorbed aggressive offering with the price fixing at \$624.50.

Operations:	Market	+ \$16 mn.
	Interest	+ 5
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		+ \$21 mn.
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