

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSFriday, 29th August 1980

Sterling and the dollar made modest gains in markets muted by the advent of the long holiday weekend in the United States. The record increase in the American index of leading indicators by 4.6 occasioned the only - and then but temporary - excitement. Sterling's ERI rose to 76.2.

New York was already sensing the holiday last night and the pound closed there at 2.3895. From an opening level of 2.3888 this morning it edged back to 2.3876 but then steadily rose (there was modest buying at times for official account) to top 2.3950 early this afternoon. The US leading indicators caused a fall to 2.3890 but sterling turned round and closed at 2.3940. Euro-dollars were again bid at the opening; they subsequently eased but rallied before the close to 12½ for three months. Sterling interbank rates hardened to 16 13/16. The covered premium was cut to 1/16% p.a. in London's favour.

With yesterday's selling pressure behind it, the pound recovered ground in Europe - gaining about ¼ against the deutschemark (4.29%), Swiss (3.95%) and French (9.97%) francs. The dollar rose by some ¾, having failed to hold its better levels. In Germany it improved to 1.7948 (after 1.7973). EMS was quiet. The Italians sold only \$21mn. as the lira weakened to 853½, 3½ below the French franc (4.1672). There were no particular features elsewhere. The Swiss franc eased to 1.6515, the yen to 219.32. The Swedes sold \$40mn., the krona remaining depressed in spite of the latest increase in bond interest rates.

Gold was a little easier on modest business, fixing at \$633.75 and \$631.25.

Operations:	Market	+	\$12mn.
	B.Airways		
	(PSB)	+	50
	Bangladesh	-	12
	Ghana	-	9
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		+	\$41mn.
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	Overnight	+	\$4mn.
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The result for August is a reserve increase of \$19mn. to a level of \$28,291mn. after net PSP repayments totalling \$194mn. The overbought forward position declined by \$31mn. to \$1,974mn.

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