

THE DEPUTY GOVERNOR



FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 1st September 1980

The new month began quietly, with U.S. markets closed for Labor Day. European operators, however, worked up an appetite for sterling this afternoon and the ERI finished the session at a new record 76.5.

Demand from Chicago drove the pound to 2.4090 on Friday before it closed in New York at 2.4050. This morning it began at 2.4040 and tended slightly easier through a quiet morning, touching 2.4015 at one stage. This afternoon, sterling edged higher, as positions were squared. Late in the European day, however, keen buying interest emanated from Paris - possibly on official Middle East account - and the pound was traded up to 2.4142, another five-year high, before closing at 2.4105. Eurodollars were considerably easier, following Friday's move by the Federal Reserve to cap the Federal Funds rate, and forward margins widened in consequence. The three months' was 4 9/16% p.a. discount and the covered differential 1/8% in London's favour.

The pound gained 1/4% in Frankfurt (4.31) and 3/8% in Paris (10.01) and Zurich (3.96%). The dollar eased in New York on Friday, after the Federal Reserve's open market intervention, and opened a little lower still this morning. Thereafter, however, it held steady. The deutschemark closed at 1.7878 and the Swiss franc at 1.6455. The Dutch Florin (1.9464) and Italian lira (850.20) contained the EMS, 3 1/2% apart, the Italians selling \$120 mn. to support the lira. In Scandinavia, the Swedes spent a further \$38 mn., while the Norwegians took in \$24 mn. The yen firmed sharply in Tokyo to 217.50 but was steadier in European markets, closing here at 217.72.

Gold eased a little further in generally quiet trading. Fixings were \$626.25 and \$628.75.

Operations:	Market	+ \$ 8 mn.
	Iran	+ 20
	B.I.S.	+ 12
	Sundries	+ 3
		<u>          </u>
		+ \$43 mn.

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