



THE DEPUTY GOVERNOR

GOLD AND FOREIGN EXCHANGE MARKETS

Wednesday, 3rd September 1980

With little hard news, the exchanges marked time today. The dollar was a touch easier, as interest rates declined further. Sterling was steady but showed little inclination to advance, since there was some suspicion of a reduction in Minimum Lending Rate tomorrow. The ERI was unchanged throughout at 76.5.

The pound closed at 2.4145 in New York yesterday and began at 2.4146 this morning. The dollar tended easier on the opening exchanges and sterling was marked up to 2.4184 but markets soon steadied and the pound passed the morning around the opening level, touching 2.4125 at one stage. This afternoon saw a similar pattern. 2.4180 was paid at first, but the pound thereafter traded quietly in the morning's range, closing at 2.4157. Longer-dated sterling deposits were well offered on anticipation of a cut in MLR and forward margins narrowed in sympathy. Three-month deposits were only  $\frac{1}{8}\%$  off, however, while the comparable Euro-dollar deposit was  $\frac{3}{8}\%$  cheaper. Nevertheless, the cost of three-months' cover fell but slightly to 4  $\frac{11}{16}\%$  p.a. so that the covered differential was 5/16% in London's favour.

Sterling was a little softer against the Swiss franc (3.94 $\frac{1}{2}$ ), French franc (9.99 $\frac{1}{2}$ ) and deutschemark (4.29 $\frac{1}{2}$ ). The dollar, too, finished a shade easier against these currencies at 1.6335, 4.1370 and 1.7784 respectively. The Dutch florin (1.9348) remained at the top of the EMS, 3  $\frac{11}{16}\%$  above the lira (846.95). The Belgians sold \$84mn. to contain the Benelux "worm" within 1 $\frac{1}{2}\%$ . The yen weakened to 217.30 in Tokyo but closed at 217.06 in London.

Gold opened a little easier but was thereafter quiet and steady. Fixings were \$636.70 and \$636.75.

Operations:	BIS o/a India	+	\$12mn.
	Interest	+	6
	Greece	-	6
	Sundries	+	1
			<hr/>
		+	\$13mn.
			<hr/> <hr/>

3rd September 1980.

JGH