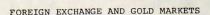
THE DEPUTY GOVERNOR



## Tuesday, 9th September 1980

Sterling was sold down sharply following the Banking
Statistics this afternoon. This action was in no way a comment on the
statistics but reflected a widespread view that MLR could now be
reduced in the very near future. After opening easier, the dollar
registered a steady improvement. Sterling's ERI fell from 76.5 to 76.0.

The pound closed at 2.4220 in New York yesterday and opened at 2.4222 this morning. After easing slightly on the early exchanges, sterling established a trading level around 2.42, but, despite renewed official buying interest, there were few professional takers and sterling slipped below 2.42 before midday. Following the Banking Statistics, some further modest easing was evident but the market soon fell prey to many and varied rumours and, with the atmosphere highly nervous, sterling was sold down very quickly. As often, there were no major sellers behind the movement but a host of small offerings - banks who for some time past have seen fit to stay modestly long in sterling - and, as the movement fed on itself - sterling declined inexorably to close at 2.4010. Forward margins narrowed as inter-bank sterling deposits eased. Three months' cover cost 4 1/16% p.a. and sterling's intrinsic premium was 3/16%.

The pound shed \{ \% in Zurich (3.92), \{ \% in Frankfurt (4.27\{ \\ \})} and \{ \% in Paris (9.92\{ \\ \}). The dollar recovered a good deal of ground in Switzerland (1.6325) and was a little better, too, in France (4.1347) and Germany (1.7791). The Bundesbank bought \\$12 mn. EMS narrowed to 3\{ \\ \} \\$ in width between the florin (1.9345) and lira (845.30) and the Dutch took in \\$20 mn. Elsewhere, the Swedes lost \\$38 mn. The yen closed at 216.25 in Tokyo and 216.50 in London.

Following strong demand from the Middle East in the last two days ahead of the OPEC meeting, gold suffered profit-taking this morning (in part from the Middle East participants themselves) and the market, though still active, was much better balanced. The fixing was \$674. This afternoon, sellers gained the upper hand and the price was fixed at \$670.50.

Operations:	Market	_	\$22	mn.
	I.D.A.	+	12	
	B.I.S.	+	12	
	Interest	+	9	
		+	\$11	mn.



9 September 1980 J.G.H.