

THE DEPUTY GOVERNOR



FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday 10 September 1980

Sterling remained a nervous market today but, following yesterday's sharp decline, the level of business was surprisingly subdued and rates were generally very steady. The ERI closed unchanged at 76.0, after 75.8 this morning.

The pound was traded down to 2.3960 after hours yesterday before recovering to close in New York at 2.4015. This morning it opened at 2.4026 but soon met some large overseas sellers and was traded down to 2.3955. This proved sufficient to attract some small buyers and the pound recovered to establish a trading level around 2.40, rising to 2.4030 at one stage. London professionals led another bear raid in mid-morning and sterling was driven down to 2.3970. Once again, however, it bounced back and, with early American short-covering, was traded up to 2.4055 before closing quietly at 2.4014. The cost of three months' cover was unchanged at 4 1/16% p.a. but, with comparable sterling deposits easier, the covered differential moved to 1/16% against London.

The pound was a touch better in Paris (9.93%) but a little softer in Frankfurt (4.27%) and Zurich (3.91%). The dollar was little changed overall, closing in these centres at 4.1362, 1.7787 and 1.6302 respectively. The Bundesbank swapped in \$850 mn. to ease liquidity. EMS widened again to 3% between the florin (1.9348) and lira (846.15). The Dutch took in \$25 mn. and the Irish sold \$6 mn. Elsewhere the Swedes spent \$53 mn. while the Norwegians bought \$20 mn. The yen closed barely changed at 216.60 in Tokyo and 216.59 in London.

Gold met strong demand again in Hong Kong this morning and remained active throughout the day. Fixings were \$686 and \$686.50 but the price ranged between \$681 and \$690 over the session.

Operations:	Market	+ \$10 mn.
	Iran	+ 30
	I.D.A.	+ 7
	Sundries	+ 3
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		+ \$50 mn.
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