

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 16 September 1980

The heightened prospect of a dock strike brought further heavy selling of sterling this morning, but the afternoon produced a technical recovery and the pound closed fairly comfortably. The ERI fell to 75.5.

The pound closed at 2.3905 in New York yesterday but opened lower at 2.3863 this morning with sizeable Swiss selling from an early hour. The pound was sold down to 2.3798 on the opening exchanges but recovered quickly to settle around 2.3850 into mid-afternoon. With the return of the U.S. markets, positions began to be squared and sterling advanced to 2.3900 before closing quietly at 2.3890. Forward discounts edged higher: three months' cost  $3\frac{1}{2}\%$  p. a. Sterling's intrinsic premium was  $5/16\%$ .

The pound closed a little cheaper in France (9.90 $\frac{1}{4}$ ), Germany (4.26 $\frac{1}{2}$ ) and Switzerland (3.90 $\frac{1}{4}$ ). The dollar was a touch softer in Zurich (1.6341) but barely changed in Paris (4.1452) or Frankfurt (1.7837). EMS widened slightly to  $3\frac{1}{2}\%$  between the florin (1.9391) and lira (849.05). The Dutch took in \$10 mn. Elsewhere, the Norwegians bought \$35 mn. The yen continued firm, closing in Tokyo at 211.85 and in London at 211.55. The Japanese reported purchases of \$110 mn. in New York on Friday and \$188 mn. in Tokyo this morning.

Gold was steady and quiet, while still relatively soft. Both fixings set a level of \$668.

Operations:	Market	+ \$19 mn.
	Government	+ 14
	B.I.S.	+ 12
	Sundries	+ 2
		+ \$47 mn.
		=====
Overnight:		- \$7 mn.
		=====

*JGH*  
16 September 1980  
J.G.H.