

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 24th September 1980

An unexceptional day in which the market continued to unwind the excesses of the past two days. The dollar suffered more than sterling, which was quiet and steady for much of the session. Late in the day, however, pounds were sold for Continental currencies out of the United States and both sterling and the dollar finished at the day's low points. Sterling's ERI fell from 76.7 to 76.3.

The pound closed at 2.3992 in New York yesterday but opened at 2.4057 this morning and traded up to 2.4085 on the early exchanges. This bid tendency proved short-lived and sterling settled back to establish a narrow range around the opening level. This persisted through most of the day in the face of a declining dollar but towards the close Americans sold sterling and the rate fell to finish at 2.4017. Later business took place down to 2.3955. Euro-dollars opened firmer but then eased again. Sterling deposits, where changed, were softer. Forward margins narrowed - the three-months' to 3 3/8% p.a. discount - and sterling's intrinsic premium fell to 3/16%.

The pound lost 3/8% in Paris (10.02 3/4), 3/8% in Frankfurt (4.31 1/2) and 1% in Zurich (3.95). The dollar weakened in these centres to 4.1735, 1.7960 and 1.6450 respectively. The market was clearly overbought in dollars and the prevailing view seemed to be that 1.80 was not a tenable level for the \$/DM rate, despite the publication of Germany's first monthly trade deficit for 15 years. The Bundesbank sold \$10mn. early this morning for Federal Reserve account. The French bought deutschemarks worth \$28mn. EMS widened to 3 11/16% between the Dutch (1.9523) and Italian (854.65) currencies. The Norwegians soaked up a further \$145mn. The yen eased to 218.20 in Tokyo but then firmed sharply to 215.40 in London.

Gold fell to \$711 in New York yesterday but successfully maintained that level in London today. Fixings were \$711 and \$710.50 and business was rather less active than of late. After the close New York took the metal down again to \$704.

Operations:	Market	-	\$2mn.
	British Air		
	(PSB G'teed)	+	50
	Iran	+	10
	Sundries	-	5
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		+	\$53mn.
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