

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 25th September 1980

After an uneventful morning, the dollar drifted off this afternoon. Sterling gained at first from this movement but was again sold towards the close. The ERI thus fell from 76.3 to 76.1.

The pound fell to 2.3925 in New York yesterday on fears of a reduction in MLR but recovered to close at 2.4005 following Iraq's attack on Kharg Island. This morning sterling opened at 2.4003, touched 2.4036 on the early exchanges, then settled to trade quietly through the morning around the opening level. This afternoon the dollar tended a little softer with professional selling from the Middle East and the Iron Curtain. The pound improved to 2.4047 but retraced its steps to close at 2.3986. The cost of three-months' cover slipped to 3 1/16%. Sterling's intrinsic premium remained at 3/16%.

The pound lost 1/8% to the deutschemark (4.30 1/2), 1/8% to the French franc (10.00 1/2) and 1/8% to the Swiss franc (3.93 1/2). The dollar was little changed in Germany (1.7962) but a touch easier in France (4.1697) and Switzerland (1.6407). EMS widened considerably to 3 15/16% between the florin (1.9510) and lira (855.95). The Swedes sold \$10mn. and the Norwegians bought \$107mn. The yen closed at 215.65 in Tokyo and 214.07 in London.

Having fixed at \$705 this morning, gold fell away this afternoon and was fixed at \$697.75. There was no evident resistance to the \$700 level.

Operations:	Market	+	\$10mn.
	India	+	24
	BIS	+	12
	Interest	+	6
	Sundries	-	4
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		+	\$48mn.
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JG 25th September 1980.

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