

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 29th September 1980

The dollar was spurred on by further sharp rises in Eurodollar rates today. Professional, and some CMI, demand gave sterling sufficient rein to maintain the ERI unchanged.

The weaker turn for the pound late on Friday was reflected in the closing rate in New York of 2.3860. After opening at 2.3868 this morning it eased to 2.3845 in quiet conditions which changed only after noon, when some professional demand - in the wake of at least one central bank order - saw sterling bid up to 2.3935. It closed in the middle of the day's trading range, 2.3892. Eurodollars rose nearly 1%, closing at 14 $\frac{1}{2}$ % for 3 months. A covered premium of 3/16% re-emerged for London as forwards narrowed to 1 11/16% discount for the same period and interbank sterling rose to 16%.

The pound improved in Germany (4.33 $\frac{1}{2}$), Switzerland (3.95 $\frac{1}{2}$) and France (10.04 $\frac{1}{4}$). The dollar advanced further in the same centres, respectively to 1.8136, 1.6540 and 4.2047. The Germans sold \$100 mn. and the French were also buyers of deutschemarks, equivalent to \$55 mn. EMS was not under pressure and maintained its 3 $\frac{1}{2}$ % width but the Italians sold \$135 mn., the lira remaining rather weak in spite of the bank rate increase to 16 $\frac{1}{2}$ %. It closed at 862.35; the florin declined to 1.9691. The yen eased to 213 in Tokyo but was again wanted in Europe, closing tonight at 211.75.

Gold fell sharply in New York on Friday to \$671.50 on rumours of peace talks between Iran and Iraq; but this weakness was shrugged off in the Far East and in London this morning, where it fixed at \$687.25. This afternoon, however, there was renewed offering and the second fixing was at \$679.25. Later, it fell further, to \$672.25.

Operations:	Market	+ \$2 mn.	
	B.I.S.	+ 12	
	Ghana	- 18	
	Greece	- 6	
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		- \$10 mn.	(of which - \$19 mn. for September)
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29 September 1980
D.A.H.B.

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