

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 30th September 1980

Apart from a spurt of interest in the yen, the exchange markets were featureless. Eurodollars paused for breath after their recent rapid rise and both the dollar and pound edged lower. The ERI slipped to 76.0.

In New York last night sterling closed at 2.3873. It opened at 2.3894 in London this morning, moved up to 2.3912 and down to 2.3874, and closed at 2.3883. There was little business reported. Eurodollars opened easier and declined further, to close at 13 15/16% for 3 months. Sterling interbank came down to 15 13/16% and the covered differential was unchanged.

In Germany the pound eased to 4.32½, in Switzerland to 3.94½ and in France to 10.03½ - losses of under ½%. The dollar's fall was even less in those centres: to 1.8112, 1.6523 and 4.2002, respectively. The French bought deutschemarks equivalent to \$17 mn. but EMS was untroubled, ending the day 3 13/16% wide between the slightly firmer lira (861.95) and florin (1.9666). The yen was bid up to 210½ in London before closing at 211.10. Last night the Fed sold \$35 mn., mostly against deutschemarks.

Gold was sold down to \$660 in New York yesterday but again recovered in today's markets. In London it fixed at \$670 this morning but was again offered into the second fixing, which was at \$666.75. It rallied later to \$671.

Operations:	Market	- \$3 mn.
	Interest	+ 24
	Kenya	+ 11
	Sundries	+ 1
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		+ \$33 mn.
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The result for September is a fall of \$654 mn. in the reserves to a level of \$27,637 mn., after net PSB repayments totalling \$887 mn. The overbought forward position declined by \$79 mn. to \$1,895 mn.

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