

THE DEPUTY GOVERNOR



FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 1st October 1980

The rising sun in London this morning shone appropriately enough on a very strong yen which was causing the dollar to wane generally. Sterling, which had been offered in the final hour of North American markets yesterday, was well wanted early this afternoon. The prime rate increase to 13 $\frac{1}{2}$ % announced by Chase provided late relief for the dollar. Sterling's ERI dropped to 75.8 (after 75.7 at the opening).

With modest selling from Chicago and New York operators, the pound fell to 2.3805 at the close last night. It recovered a little in Far East markets to open in London today at 2.3852. Although dipping to 2.3845 it had an improving tone during the morning and was boosted to 2.3945 this afternoon in a vigorous spate of buying from various centres. After the prime rate it eased in the general movement in favour of the dollar, to close at 2.3891. Allowing for the usual technical adjustments, Eurodollars were slightly offered at the opening. The three months' quotation closed at 13 $\frac{3}{8}$ %; the covered premium in London's favour was little changed, however, at $\frac{1}{8}$ % p.a.

The pound improved in most other centres from its opening levels but showed small losses compared to last night: 4.31 $\frac{1}{2}$ against the deutschemark, 3.92 $\frac{1}{2}$ in Switzerland and 10.01 $\frac{1}{2}$ in France. At worst, the dollar touched 1.8025 in Germany but it rallied to close only marginally weaker on the day, at 1.8075. EMS remained 3 13/16% wide between the lira (860.35) and florin (1.9627). The Swiss franc closed at 1.6423, the French franc 4.1932. There was no intervention. In Tokyo, however, the Japanese bought \$391 mn. (following \$39 mn. bought in New York yesterday at 210 $\frac{1}{2}$) in a determined effort to stem the advance of the yen, which is still being bought for investment - by oil producers and institutions. It closed in Tokyo at 209.20 and in London at 208.50 (after 207.47). Last night the Fed sold \$20 mn.

Gold acquired a firmer tone as the dollar eased. Fixings were at \$679.25 and \$682.

Operations:	PSB (NCB)	+ \$111 mn.
	Sundries	+ 2
		+ \$113 mn.
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1st October 1980
D.A.H.B.

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