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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 3rd October 1980

The only features of today's exchange markets were a continuing interest in the yen and an improvement in the Canadian dollar after a record trade surplus. The US dollar traded quietly but with a sense of nervous hesitancy ahead of this week's money figures. Sterling drifted up to 75.8 in ERI terms.

In New York last night the pound closed at 2.3895. It opened in London today at 2.3864 and fluctuated between 2.3855 and 2.3904 before closing at 2.3895. Business was light. Interest rates moved easier: for three months, Eurodollars closed at 13 9/16%, sterling interbank 15 3/8%; the covered premium in London's favour narrowed to 3/16% p.a.

Further gains were made in Europe by sterling which rose to 4.32 9/16 against the deutschemark, 10.03 1/2 against the French franc and 3.92 1/2 in terms of the Swiss franc. The dollar, however, was little changed in spite of a reduction of 0.2 in the producer price index and to 7 1/2% in unemployment. Its range was very narrow. EMS remained 3 1/2% wide between the very slightly weaker florin (1.9680) and lira (862.15); the French franc closed at 4.2007, the deutschemark at 1.8103. No intervention was necessary but the Belgians sold exchange equivalent to \$15 mn., the Germans sold \$15 mn. and the Danes bought \$19 mn. The Swiss franc was a touch firmer at 1.6430. In Tokyo, where the yen closed at 207.60, the Japanese bought another \$280 mn. Having reached 206.87 early this morning, it closed in London at 207.47. The Canadian dollar rose from 117 to 116.59 (= U.S.\$100) after the trade surplus for August of C.\$1 billion was announced; but it relapsed after heavy intervention to close at 116.89.

Gold was steady this morning, fixing at \$670.25, but it was pulled down when silver was suddenly offered (to fall nearly \$1), thus depressing the post-prandial market. The second fixing was at \$660.50.

Operations:	Greece	- \$8 mn.
	Sundries	+ 4
		- \$4 mn.
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Overnight:		+\$14 mn.
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3 October 1980  
D.A.H.B.

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