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G.P.S.

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Foreign Exchange and Gold Markets
26 September - 3rd October (3.30 p.m.)

The level of activity in sterling was mostly rather low but there was some central monetary demand and some professional selling at times. After opening around 2.40 the rate tended to drift down against a much stronger dollar, touching a low of 2.3805 in New York on Tuesday night. As the dollar moved back from its best levels, the rate recovered to close at 2.3890. Euro-dollar rates moved up by ½% over the week, 3 month deposits closing at 13¾% (after 14⅛% on Monday), and as the discount on forward sterling fell, sterling's intrinsic premium narrowed to 3/16%.

The Fed's 1% increase in the discount rate overnight on 25th September, a 1½% increase in Citibank's prime rate, to 14%, (all the other majors went to 13½%) and the unexpectedly large increase in the money supply announced last Friday (26 September) caused US rates to move up sharply. The dollar firmed in most centres, except Tokyo, although central bank intervention limited the advance. The yen continued the subject of strong demand from Middle East investors, rising 2½% over the period. EMS was relaxed, despite the fall of the Italian government, the width of the band remaining at 3¾% with the lira at the bottom and the florin at the top.

With a firmer dollar and less concern about a shortfall in Middle East oil supplies, gold dropped from the $700 level to trade mostly in the $660-680 range, ending at its lowest point for almost a month.

3 October 1980
T.R.S.

JLS 3/10 (5)

Main Exchange Rates

	25th September close	3rd October (3.30 p.m.)
$		
£	2.3945	2.3890
DM	1.8048	1.8112
SF	1.6465	1.6442
FF	4.1885	4.2020
Yen	212.47	207.45
£		
DM	4.32⅜	4.32⅝
SF	3.94¼	3.92¾
FF	10.02⅞	10.03⅞
£ effective	76.1	75.8
Gold	$698.75	$660½ (p.m.fix)

Intervention abroad (main items)

(26/9 - 2/10 only)

Japan	+ 821
Italy	- 399
Germany	- 162
U.S.A.	- 85

EEA Transactions

Operations +$177 mn. (o/w new PS borrowing + 111)

The increase in the spot reserves so far this month is $407 mn. after net new public sector borrowing of $57 mn. (The rise is largely due to the effect of $726 mn. of maturing forwards.)