

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 8th October 1980

Markets were generally quiet and steady today with little fresh news to upset the balance. Sterling moved comfortably in a narrow range, notwithstanding that a very large commercial selling order was completed during the session. The ERI was again unchanged throughout at 75.8.

The dollar softened a little in New York yesterday and sterling was bid up to 2.3970 before closing there at 2.3925. This morning the pound opened at 2.3938 and traded all day between 2.3912 and 2.3950. Some early Swiss selling failed to have any impact. The lower levels seen this afternoon clearly reflected the very sizeable selling on behalf of a public corporation but, that apart, the order appeared comfortably digested by the close which came at 2.3922. Forward margins were little changed - the three months' at 2 3/16% p.a. discount - but eurodollars finished up to 1/4% better bid, so that sterling's intrinsic premium fell to 1/4%.

The pound was unchanged in Paris (10.00%) and a little firmer in Zurich (3.92) and Frankfurt (4.31%). The dollar lost ground to the French franc (4.1835) but was unchanged in Switzerland (1.6386) and Germany (1.8041). Yesterday the Federal Reserve sold \$10 mn. for deutschemark and the Bundesbank today sold \$10 mn. EMS remained 3 1/2% spread between the florin (1.9609) and lira (858.70) but the Belgian franc weakened relative to the florin and the Belgians spent \$27 mn. to contain the movement. Elsewhere the Norwegians took in \$25 mn. and the Swedes sold \$35 mn. The yen closed at 208 in Tokyo and 208.41 in London.

Gold gave up a little ground in New York yesterday and passed an inactive session today clawing back its losses. Fixings were \$674.50 and \$677.

Operations:	Market	+	\$7 mn.
	Iran	+	20
	Interest	+	8
	Sundries	+	4
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		+	\$39 mn.
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