

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 10th October 1980

It was the dollar's turn to stand in the wings today. When the curtain rose in London sterling entered rather weakly upon the scene, having been sold in the Far East. Later this morning good two-way business developed but this afternoon saw a very strong performance as buying orders were received, particularly from New York and Chicago. At the higher levels some commercial selling was met with but nevertheless the ERI rose further, to 76.2.

In New York the pound improved last night to 2.4005. Today, under the influence of the Far East selling, it opened in London at 2.3978, eased a couple of points and then rose through 2.40 to reach 2.4003 at noon. Early this afternoon strong buying took sterling up to 2.4090, by which level some commercial names had begun to offer sterling. The close was 2.4054. With Euro-dollars declining in mid-session and interbank sterling rates rising, forward margins widened to raise the cost of three-months' cover to 2½% and to turn the covered differential to ½% p.a. against London.

Sterling gained about ¼% in Europe, rising to 4.33% in Germany, 3.93% in Switzerland and 10.05% in France. The dollar had a quiet day, being only marginally weaker at the close. The French franc nosed ahead of the florin, ending at 4.1817 after purchases of \$15mn. and \$17mn.-worth of deutschemarks. The lira, at 858½, was 3 11/16% weaker than the franc. The Germans sold \$20mn., the deutschemark closing at 1.8038; the Danes bought \$32mn. Last night the Fed repeated the previous day's purchases of deutschemarks and French francs, totalling \$15mn. The Swiss franc was at 1.6345 this evening. Japanese markets were closed to enable respect to be paid to their aged; in London the yen was virtually unchanged at 208½.

The gold market experienced quiet conditions this morning, fixing at \$683.50. A revival of interest this afternoon improved the price at the second session to \$685.25.

Operations:	Market	+	\$7mn.
	India	+	24
	Iran	+	15
	Norway	+	6
	Sundries	+	5
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		+	\$57mn.

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DAHB

