

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 14th October 1980

Sterling remained very firm today, buoyed now by the news on the engineering pay front and the resultant interest in gilt-edged. The dollar again moved ahead with sterling and returning Americans were active buyers of their own currency. Only the yen withstood these movements and even the pound was yielding to the dollar by the close. Sterling's ERI finished unchanged at 76.4, after 76.6 this morning.

The pound opened at 2.4152 this morning, more or less where it was left in after-hours trading in London yesterday. Good two-way business in pounds prevailed through much of the day. The early tendency was firmer and sterling touched 2.4162 but by mid-morning it had retreated below 2.41, perhaps in response to Bundesbank support for the mark, which kept the dollar in check. By early afternoon, sterling had recovered to 2.4130 but the dollar was already in demand from the USA, against Swiss francs and deutschemark especially. The pound eventually wilted before the dollar's advance and eased back to 2.4060 before closing at 2.4077. Forward margins narrowed as make-up day pressures were eased somewhat. The cost of three-months' cover fell to 2 9/16% p.a. and sterling resumed an intrinsic premium of 1/16%.

The pound gained 1/8% in France (10.11%), 1/8% in Switzerland (3.95%) and 1/8% in Germany (4.37%). The dollar's extensive gains took it in these countries to 4.2010, 1.6440 and 1.8173 respectively. The Bundesbank sold \$94mn. and the Federal Reserve soon took over the baton this afternoon. The French franc and lira (861.35) continued to contain the EMS which was again 3 1/2% in width. The French bought \$15mn. but the Italians sold \$73mn. The Danes bought \$10mn. The yen alone hardened. In Tokyo it closed at 207 and in London at 206.40.

Gold eased throughout the day in response to the dollar's strength. Fixings were \$674 and \$668.50.

Operations:	Market	+	\$16mn.
	Sundries	+	2
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		+	\$18mn.
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*JGH* 14th October 1980.

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