

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

OCT  
 Thursday, 30th November 1980

Another fairly quiet day for sterling which saw little business of note until late in the day when it was again heavily sold by a Middle Eastern professional. The dollar meanwhile recovered all and more of yesterday's losses following publication of the index of leading indicators which purported to show a good deal of vigour left in the economy. Sterling's ERI closed unchanged at 79.0.

The pound closed lower at 2.4360 in New York yesterday but opened at 2.4391 this morning and, after slipping a point on the early exchanges, quickly picked up to establish a trading range around 2.4425. The morning was quiet on all fronts with no alarms or excursions surrounding the Central Bank board meetings in London or Frankfurt. The MLR announcement saw sterling briefly up to 2.4445 but this was a mere gesture. The next round of activity was sounded in fact by the publication of the US index of leading indicators which sent the dollar sharply firmer. The pound traded serenely through all the excitement elsewhere until late in the day when a familiar Middle East jobber appeared to cut out a long position in sterling and the rate declined to close at 2.4380. Dollar and sterling deposits closed firmer but forward margins narrowed, the three-months' to 1½ p.a. discount, leaving sterling's intrinsic premium a little higher at ¾.

The pound closed ¼ better in Paris (10.63½), ¼ firmer in Frankfurt (4.62½) and ¼ higher in Zurich (4.16½), in each case just a little short of yesterday's recent highs. Earlier in Switzerland it had set a three-year best level of 4.17½. The dollar strengthened in all these centres to 4.3620, 1.8977 and 1.7082 respectively. The Bundesbank sold \$35mn. for the Federal Reserve and \$19mn. for themselves. EMS finished 3¼ spread between the French franc and lira (896.15). The mark and French franc were fully separated (2¼) and at times the florin (2.0478) was at the upper margin and the Belgian franc (30.37) at the lower end. The Belgians sold \$6mn., the Irish \$19mn. and the Germans spent French francs worth \$33mn. The French took in marks worth \$3mn. and the Dutch bought \$9mn. of marks and \$1mn. of Belgian francs. The yen closed at 209.70 in Tokyo and 210.25 in London.

Gold remained relatively firm and steady. Fixings were \$643.50 and \$642.50.

Operations:	Market	-	\$12mn.
	Australia	+	7
	Interest	+	7
	Government	+	5
	Sundries	+	3
			<hr/>
		+	\$10mn.
			<hr/>
	Overnight	+	\$12mn.
			<hr/>

30th October 1980.

JGH