

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSTuesday, 4th November 1980

Sterling traded higher in the opening hour today, steadied as profits were taken and then surged up again in the wake of the banking figures. The first published ERI broke through to 80.1 but with the dollar easing this afternoon the index closed at 79.9.

New York was reluctant to deal last night - with today as a holiday - and the pound closed there at 2.4502. It opened today at 2.4485 and dipped 5 points before professional demand caused it to rise rapidly to a peak of 2.4555. As positions were turned so the rate ebbed to a low for the day of 2.4465 shortly after noon. Following the banking figures sterling jumped up to 2.4565 before closing at 2.4546. Euro-dollar rates opened yet better bid by up to 7/16%; although firming a little more this morning they had relaxed to opening levels by the end of the day. The three-months' rate closed at 16 3/16%. Sterling interbank held steady, at 16 1/4%, and forward margins adjusted so as to leave the covered comparison at parity.

The pound scored further net gains in Europe, having at times broken through to greater heights. It ended some 3/8% better on balance, at 4.70 in Germany, 10.82 in France and 4.22 in Switzerland. The dollar ended marginally lower in these centres, having opened buoyed up by the rise in Euro-dollar rates. Respective closing levels were 1.9150, 4.4080 and 1.7190. At times there was little to choose between the French and Dutch currencies as the strong member of EMS and between the German and Belgian units as the weakest one. By the close the French and Germans held these positions (2 1/8% apart), after the deutschemark had required further support: the Bundesbank sold French francs worth \$94mn., and \$32mn. (including \$30mn. for FRB account), whilst the French bought deutschemarks worth \$65mn. The Belgians lost French francs equivalent to \$8mn. The Irish bought \$35mn. The lira improved to 902.55, still 3 1/8% weaker than the French franc. The yen closed in Tokyo at 211.05 but improved in London to 209.47.

Gold traded uncertainly in the absence of any firm news; fixings were at \$648 and \$646.

Operations:	Market	+	\$18mn.
	Ghana	-	7
	Sundries	-	1
			<hr/>
		+	\$10mn.
			<hr/> <hr/>

4th November 1980.

DAWB

