

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 5th November 1980

The star-spangled euphoria at the Presidential election result brought fireworks to the exchanges today and the dollar rocketed to new heights this morning. Sterling, too, sparkled and again set new benchmarks on the Continent. The ERI closed at a record 80.2.

The dollar gained over 1% in the Far East this morning in the wake of the US election results. The pound shed a cent in the process and began in London at 2.4442, marking time on the early exchanges as profits were taken in the dollar. Soon enough, however, the dollar blazed away again, lighting a fuse under the pound which streaked to 2.4530 in mid-morning before steadying to settle around 2.45. Europeans then squared their books before the lunch break and sterling retreated to 2.4415 at mid-day. This afternoon the dollar initially declined and the pound recovered to 2.4505. The dollar, however, went out with a bang and sterling's closing level was 2.4470. Euro-dollars lost most of their opening gains. Sterling deposits were a good deal easier. Forward margins narrowed, the three-months' to 9/16% p.a. discount, and the covered differential moved to 3/8% against London.

The pound gained 1% in Switzerland to 4.26 1/2 (after a 3 1/2-year high of 4.27 1/2), 1 1/8% in Germany to 4.75 1/2 (after a 4 1/2-year high of 4.75 1/2) and 1 1/8% in France to 10.94 (after a 6-year high of 10.95 1/2). Another all-time record was scored in Italy (2237). The dollar set new 6-month best levels in Zurich (1.7495), Paris (4.48) and Frankfurt (1.9455) before closing in these centres at 1.7420, 4.4707 and 1.9416 respectively. The Bundesbank sold \$50mn. for the Federal Reserve and \$22mn. for their own book. The French franc and mark closed fully distant in EMS. The French bought \$138mn.-worth of marks and the Germans sold French francs equivalent to \$49mn. The lira (912 1/2) finished only 3% from the French franc, the Italians buying \$15mn. In Tokyo this morning, the Bank of Japan reduced Discount Rate by 1% to 7 1/2% and the yen eased there to 211.90. In London it recovered to 211.40.

Gold touched \$660 in Hong Kong this morning but came back to fix in London at \$655. After an initial recovery this afternoon, the metal was offered again and, having fixed at \$652, it closed at \$649.

Operations:	Market	+	\$12mn.
	British Nuclear Fuels (PSB Guaranteed)	+	97
	IDA	+	13
	Iran	+	5
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		+	\$127mn.
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