

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 11th November 1980

Despite the holiday in the United States, the exchanges remained active today. A further sharp decline in eurodollar deposit rates made for a yet weaker dollar, although some of the lost ground was regained by the close. Sterling was somewhat steadier today but still lost ground overall. The ERI fell from 78.0 to 77.5.

The pound recovered to 2.4060 in New York yesterday before closing there at 2.3985. This morning it opened at 2.4017 and advanced to 2.4065 on the early exchanges in concert with the dollar. The dollar then went into decline. Sterling backed off gradually, falling to 2.3930 by midday but steadied at this point. This afternoon, as positions were squared, both currencies recovered and the pound traded around 2.3950 before closing at 2.3937. Forward margins widened as eurodollars eased. Three months' cover cost $\frac{3}{4}\%$ p.a. and the covered differential was $\frac{1}{16}\%$ in London's favour.

The pound lost another 1% in Switzerland (4.07 $\frac{1}{2}$), 1 $\frac{1}{4}\%$ in Germany (4.51 $\frac{1}{2}$) and 1 $\frac{1}{2}\%$ in France (10.40 $\frac{1}{2}$). The dollar fell in these centres to 1.7015 (after 1.6867), 1.8855 (after 1.8715) and 4.3475 (after 4.3350) respectively. Yesterday the Federal Reserve sold marks worth \$153 mn. Today the Bundesbank bought \$30 mn. The French franc and Belgian franc (30.27) were at top and tail of the narrow EMS band, not quite fully distant. The lira (893) was 3 $\frac{3}{4}\%$ below the French franc. The Irish sold \$35 mn. and the Danes \$6 mn. Elsewhere, the Swedes spent \$85 mn. The yen closed at 210.75 in Tokyo and 210.95 in London.

Gold remained very uncertain. Having recovered yesterday to \$616 $\frac{1}{2}$, it closed in New York at \$608 $\frac{1}{2}$. This morning it was sold from the outset and fixed at \$598.75. Later it steadied and the second fixing set a level of \$598.50, before a modest recovery brought a close of \$603 $\frac{1}{2}$.

Operations:	Market	- \$ 9 mn.
	Bangladesh	- 5
	Sundries	+ 3
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		- \$11 mn.

J.G.H.
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