



THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 19th November 1980

Depression centred over the pound at the opening today on expectations that MLR would be reduced - perhaps tomorrow and by 2%. The announcement of the running off of the gilt-edge facility renewed these expectations and there was a stormy period as heavy selling was encountered, initially by the IMM but later for commercial account. The ERI fell to 77.6.

Calm conditions, however, had been encountered last night in New York, where sterling closed at 2.3910, the level at which it opened in London today. Early Swiss selling, on MLR talk, took the rate to 2.3860 but in a period of renewed calm it recovered to 2.3930. American markets entered inclined sellers of sterling, an attitude which hardened when the Bank's announcement was made. Sterling fell to 2.3765 with sales well in excess of £100mn. taking place; it recovered to close at 2.3795 (a decline of $\frac{3}{8}$) but business was later reported at 2.3740. Euro-dollars and interbank sterling again eased; the covered differential remained at $\frac{1}{8}$ in sterling's favour.

In Europe, the pound was just over 1% lower, on closing levels of 4.52% in Germany, 10.5% in France and 4.08% in Switzerland. The dollar eased in less active conditions: to 1.9032 against the deutschemark and 1.7165 in Swiss franc terms. EMS was under little pressure, ending up 2 3/16% wide between Belgium (30.63) and Holland (2.0647). The Dutch bought Belgian francs worth \$9mn.; the French, whose franc closed at 4.4170, bought \$8mn. In Sweden \$30mn. was spent. The yen was inactive, closing at 213 in Tokyo and 212.75 in London.

Gold was firm as buyers lost their shyness. Fixings were at \$628.25 and \$629.75.

Operations:	Market	-	\$14mn.
	Government	+	5
	Australia	+	5
	Sundries	-	4
		-	\$8mn.

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