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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 28th November 1980

The pound woke up to a cold wind of selling from Hong Kong this morning but once this had blown itself out so did market activity. There was further selling from New York but American reluctance to resume work for one day before the weekend ensured that this was short-lived and by the close sterling was only a little lower than last night, the ERI shading down to 77.5.

The early offering had weakened the pound from an opening level of 2.3632 to 2.3557 by mid-morning. It crept back above 2.36 shortly before noon, fell to 2.3545 as early New Yorkers sold the pound, but rallied to close at 2.3585. Euro-dollar rates continued to harden, the three-months' closing at 18 5/16%; sterling interbank also moved higher, to 14 3/8%. The forward premium for the pound widened to 3 9/16%, leaving the covered differential unchanged at 1/8% against London.

Sterling eased to 4.54 1/2 in Germany, 4.10 1/2 in Switzerland and 10.54 in France. The dollar was virtually unchanged against the deutschemark (1.9266), a shade firmer against the two francs - respectively, 1.7410 and 4.4687. EMS was relaxed, 2 1/8% wide between Belgium (30.97) and Holland (2.0895). The lira moved against the current and improved marginally to 915.15 (3 3/8% below the florin), which enabled the Italians to recoup \$64mn. The Dutch took in a further \$2mn. of Belgian francs; the Irish sold \$12mn. In Tokyo the yen closed at 216.75, in London at 216.62.

Gold traded quietly to fix at \$621.50 and \$619.75 but rallied later to \$623.50.

Operations:	Market	+	\$5mn.
	India	+	12
	Interest	+	5
	Sundries	-	2
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		+	\$20mn.
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	Overnight	-	\$3mn.
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The result for November is a reserve increase of \$163mn. to a level of \$28,189mn., after net new public sector borrowing of \$42mn. The overbought forward position declined by \$218mn. to \$1,627mn.

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