

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 4th December 1980

Another humdrum session on the exchanges saw the dollar regain some part of yesterday's losses. Sterling remained quiet, steady and firm. The yen continued to recover dramatically from the weakness which followed the relaxation of exchange controls. As a result, sterling's ERI dipped to 77.2.

The pound closed at 2.3485 yesterday in New York and opened at 2.3445 this morning. Thereafter it traded throughout the day between that level and 2.3493, tending, for the most part, towards the upper end of that range and closing at 2.3470. The three-months' forward premium was little changed at 3 9/16% p.a. but with Euro-dollars 1/4% firmer, the adverse covered differential rose to 5/16%.

The pound regained most of yesterday's small losses on the Continent, closing at 4.11 in Zurich, 10.55% in Paris and 4.56 in Frankfurt. The dollar firmed in these centres to 1.7510, 4.4980 and 1.9427. The Bundesbank sold \$30mn. for the Federal Reserve. EMS was a little less than fully stretched between the Belgian franc (31.20) and Dutch florin (2.1036). The lira (922.50) was 3 1/4% adrift of the florin. The Irish sold \$6mn. The yen continued its brisk recovery, closing at 212.75 in Tokyo and 211 in London.

Gold gained ground in Hong Kong this morning and thereafter traded a shade under best levels throughout the day. Fixings were \$632.70 and \$631.50.

Operations:	Market	+	\$7mn.
	Mauritius	-	7
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	Overnight	-	\$7mn.
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*Jem* 4th December 1980.

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