



THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 8th December 1980

Further increments to the US monetary aggregates brought some hardening of Euro-dollar deposit rates this morning and a firmer dollar in its train. Sterling, however, was barely moved and enjoyed an extremely quiet day. A dearer yen offset the impact of the better dollar in sterling's ERI, which slipped from 77.3 to 77.2.

The pound was bid up to 2.3487 at the close in New York on Friday but opened this morning at 2.3425. Activity was at a low level throughout the day and sterling tended to move with the Continental currencies against the dollar, though never to the same degree. 2.3437 was paid in mid-afternoon and business was seen at 2.3396 shortly before the close at 2.3405. Three-month Euro-dollars hardened by $\frac{1}{8}\%$. Comparable sterling deposits were $\frac{1}{8}\%$ easier. Sterling's three-month forward premium rose by $\frac{1}{8}\%$ to 4 11/16% p.a. so that the intrinsic discount fell to $\frac{1}{8}\%$.

The pound gained $\frac{1}{8}\%$ in France (10.63 $\frac{1}{2}$), $\frac{1}{8}\%$ in Germany (4.59 $\frac{1}{2}$) and $\frac{1}{8}\%$ in Switzerland (4.15 $\frac{1}{2}$). The dollar lost all its morning gains when New York took profits early this afternoon but regained all and more of the ground lost on a news report that American HQ staff in Europe had been placed on alert. The dollar closed at 1.9641 in Frankfurt and 1.7750 in Zurich. The Federal Reserve sold \$56mn. for marks on Friday (of which \$20mn. six-months outright) and the Bundesbank today sold \$40mn. for the Americans. The Dutch swapped in \$506mn. to provide liquidity and EMS relaxed somewhat in consequence. Their florin (2.13) closed 3 $\frac{1}{8}\%$ above the lira (930) and 2 $\frac{1}{8}\%$ ahead of the Belgian franc (31.56). The French franc (4.5427) gained ground on the guilder and the French took in marks worth \$48mn., while swapping out \$150mn. The Danes, too, bought \$24mn. and \$2mn. of marks. Elsewhere the Swedes continued to lose reserves, \$55mn. being drained away today. The yen went from strength to strength, closing at \$209.65 in Tokyo and \$207.90 in London.

Gold continued soft and dull. Fixings were \$615.25 and \$617.25, with the latter session enlivened somewhat by reports of the American troop alert in Europe.

Operations:	India	+	\$12mn.
	Interest	+	12
	IDA	+	8
	Sundries	+	1
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		+	\$33mn.
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