

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 15th December 1980

Markets remained thin ahead of the holiday season and year-end. Declines in the US monetary aggregates brought a substantial fall in Euro-dollar deposit rates and the dollar lost around 1½% this morning as a result, though some of the ground was regained this afternoon. Sterling mirrored the dollar's performance throughout. The trade figures had little impact. The ERI fell to 77.4.

The pound closed at 2.3232 in New York on Friday and opened at 2.3257 this morning. The dollar weakened in two swift and substantial flurries, each of which reflected on sterling. Having touched 2.3255 on the opening exchanges, the pound was marked up to 2.3365, settled around 2.3350 and then continued on up to 2.3395. This afternoon's reversal was as dramatic, sterling retreating to 2.3305 before closing at 2.3335. The trade figures carried a distinct feeling of *deja vu*. Three-month Euro-dollars closed ¼% easier. Sterling's three-month forward premium declined by ¾% to 6¾% p.a. and interest parity prevailed.

The pound gave up ¾% in Germany (4.61¼) and ¾% in both France (10.71¼) and Switzerland (4.19¼). The dollar closed at 1.7965 in Zurich (after 1.7810), 1.9795 in Frankfurt (after 1.9640) and 4.5920 in Paris (after 4.5525). The guilder (2.1510) regained the lead in EMS from the French franc. The Belgian franc (31.83) was less than 2% adrift and the lira (938) 3¼% off. The Dutch swapped in \$100mn., the Irish sold \$16mn. and the Danes took in \$5mn. Elsewhere the Swiss swapped in \$50mn. and the Swedes sold \$45mn. The yen closed at 208 in Tokyo and 208.22 in London.

Gold continued to reflect the course of interest rates and the dollar. A strong overnight recovery brought a fixing of \$581 this morning but there was some reaction this afternoon, as the dollar restored itself, and the later fixing set a level of \$579.

Operations:	Electricity Council	-	\$100mn.
	Zambia	-	6
	PSB Guaranteed		
	(various)	+	45
	India	+	12
	Iran	+	5
	Sundries	-	4
		-	<u>\$48mn.</u>

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