



THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 18th December 1980

Exchange markets remained thin today and lacked direction. The dollar fluctuated in response to every gyration in deposit rates and made up most of the ground lost late yesterday. Sterling tended to move in sympathy with its Continental European partners. The ERI closed unchanged at 77.4.

The pound closed at 2.33 in New York yesterday and opened at that same level this morning. The dollar was already gaining on yesterday's depressed closing levels but sterling remained steady on the early exchanges. Only when the dollar began another determined push forward did the pound slip back, falling quickly to 2.32. Profits were taken in the dollar before midday but sterling failed to break out of the lower range until Americans returned to sell the dollar, whereupon sterling recovered to 2.3275 and traded quietly through to close at 2.3240. With US domestic markets firm, eurodollars finished the day even lower than the levels set after yesterday's late decline. Sterling's three month forward premium narrowed to 6 7/16% p.a. and the covered differential was 3/16% London.

The pound was little changed in Switzerland (4.20%) or Germany (4.63%) but eased a touch in France (10.72%). The dollar closed in these countries at 1.8110, 1.9940 and 4.6150 respectively, slightly lower than yesterday's closing levels but somewhat above the depths plumbed in yesterday's late sell off. The Federal Reserve yesterday sold deutschemark worth \$41 mn., moving ostensibly to stabilise a chaotic market rather than protect the value of the dollar. The French franc replaced the guilder (2.1680) at the head of EMS. The Belgian franc (32.13) was almost 2% off at the close and the lira (948) 3 11/16% adrift. The Danes sold \$25 mn. and the Irish \$8 mn. Elsewhere the Swedes sold \$55 mn. The yen remained steady, closing at 209 in Tokyo and 209.40 in London.

Gold reflected the dollar's modest recovery by giving up yesterday's late gains. Fixings were \$577 and \$573.50.

Operations:	Market	+	\$1mn.
	Greece	-	12
	BIS	+	10
	Sundries	+	8
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		+	\$7mn.
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