

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSMonday, 29th December 1980

In another inactive session, the dollar strengthened behind firmer eurodollar deposits and held its gains even when eurodollars turned easier. In the face of the stronger dollar, sterling gave up a Holiday gain and was further depressed by commercial selling this morning. After some recovery this afternoon, however, the ERI finished unchanged at 77.9.

The pound closed at 2.3725 in New York on Wednesday but was bid up to 2.38 in the United States on Friday. This morning it opened at 2.3825 and eased back through 2.38 as the dollar firmed. With the market still thin, a few commercial sellers were able to produce considerable pressure on the rate. The pound fell sharply to 2.37, steadied there for a while, then retreated further to 2.3570 in late morning. This afternoon, however, there was a reaction to 2.37 before sterling closed at 2.3645. Three month eurodollars closed slightly firmer on balance at 18%. Sterling's three-month forward premium was 3 $\frac{3}{8}$ % p.a. and the covered differential widened to 9/16% in London's favour.

The pound was unchanged in Switzerland (4.18 $\frac{1}{2}$) but gained $\frac{1}{2}$ % in Germany (4.62 $\frac{1}{2}$) and $\frac{3}{8}$ % in France (10.73 $\frac{1}{2}$). The dollar improved to 1.7690 in Zurich, 4.54 in Paris and 1.9560 in Frankfurt. The Belgians sold \$80 mn.-worth of French francs to protect their own franc (31.59) which closed 2 3/16% below the French franc in EMS. The lira (928 $\frac{1}{2}$) was only 3 $\frac{1}{2}$ % distant but the Italians sold \$280 mn. to achieve this. Elsewhere, the Swedes recouped \$20 mn. and the yen firmed against the trend to 206.50 in London, having closed at 207.85 in Tokyo.

Gold was steady this morning and fixed at \$602.25. New York were sellers this afternoon, however, and the later fixing set a level of \$593.75.

Operations:	Interest	+ \$21 mn.
	France	+ 6
	Sundries	- 2
		+ \$25 mn.
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JG
29th December 1980
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