

✓

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 30th December 1980

Sterling attracted some keen commercial demand at times today and finished the day at its best level for over a month. The dollar meanwhile was on a softer tack, as deposit rates continued to ease. Sterling's ERI rose from 77.9 to 78.6.

The pound closed at 2.37 in New York yesterday and began this morning at that same level. The early exchanges were uncertain - principally because eurodollars showed no trend - and, with the dollar a touch firmer, sterling touched 2.3680. Soon enough, however, euro-dollars turned softer, the dollar reversed direction and sterling advanced to around 2.3750. Late morning saw first signs of some genuine interest in the pound, which moved up to 2.38 by midday. This afternoon some solid commercial demand for sterling was seen from the United States. With the dollar steady elsewhere, the pound made substantial gains, closing at 2.3960 - the day's best level - as the IMM joined in to buy. Three-month eurodollars were  $\frac{1}{2}\%$  easier over the day. Sterling's three-month forward premium narrowed to 2 11/16% p.a. so that the intrinsic premium remained unchanged at 9/16%.

Sterling gained  $\frac{3}{4}\%$  in Paris (10.81 $\frac{1}{4}$ ) and  $\frac{1}{2}\%$  in both Frankfurt (4.66 $\frac{1}{2}$ ) and Zurich (4.21 $\frac{1}{4}$ ). The dollar finished some  $\frac{1}{2}\%$  easier in these centres at 4.51 $\frac{1}{4}$ , 1.9470 and 1.7625 respectively. The French franc and Dutch florin (2.1180) vied for supremacy in EMS, with the former closing at the head. The lira (927) was 3 11/16% adrift and the Belgian franc (31.44) 2 $\frac{1}{2}\%$  distant. The Belgians sold \$10 mn.-worth of French francs and \$5 mn.-worth of guilders, while the Dutch bought Belgian francs equivalent to \$12 mn. The Italians sold \$90 mn. and the Irish \$6 mn. Elsewhere, the Swedes lost \$20 mn. but the Japanese took in \$90 mn. as the yen continued under considerable upward pressure. It closed at 205.40 in Tokyo and 202.30 in London.

Gold lost further ground in New York yesterday but was fairly steady throughout today around the lower levels. Fixings were \$587 and \$589.75.

Operations:	Government	+ \$38 mn.
	(Cancelled requirements)	
	Iran	+ 10
	Sundries	+ 3
		<hr/>
		+ \$51 mn.

(of which \$46 mn. for December)

*Jm*  
30th December 1980  
J.G.H.