

THE DEPUTY GOVERNOR



FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 31st December 1980

The exchanges rang out the old year on a muted note. Many Continental centres were closed for part or all of the day and New York, too, prepared for an early finish. The dollar regained pre-Christmas levels but sterling remained resolutely firm and the ERI edged up a notch to 78.7, some 12% higher than a year ago (70.2).

The pound closed easier at 2.3885 yesterday in New York where the dollar improved as Federal Funds traded up above 21%. This morning sterling opened at 2.3897 and tended to move in association with the dollar, easing this morning - to 2.3815 at worst - but firming this afternoon to 2.3937 before closing at 2.3920. This compares with a level of 2.2250 a year ago. Sterling's three-month forward premium widened to 3 5/16% p.a. as Euro-dollars hardened a little but, with sterling deposits softer, the covered differential against the dollar fell to 7/16%.

The pound gained 3/8% against the deutschemark (4.69 1/4) and nearly 1% on the Swiss franc (4.25 3/4) but was only fractionally firmer against the French franc (10.82). A year ago these rates were 3.84, 3.55 1/4 and 8.93 1/4: sterling has gained 22% (DM), 20% (Sw.Fcs.) and 21% (F.Fcs.) in the past year. The dollar improved to 1.78 against the Swiss franc (11 1/2% up on last year's 1.5960), 1.9620 against the deutschemark (13 1/2% better than last year's 1.7260) and 4.52 1/4 on the French franc (12 1/2% higher than the 4.0150 of a year ago). The French and Belgian (31.47) francs finished this year, as last, as the outsiders in EMS, now 2 1/2% in width. The lira (930 1/2) was 3 1/4% distant. The Belgians sold \$27mn.-worth of French francs and the Dutch bought \$1mn.-worth of Belgian francs. The Italians sold \$104mn. and the Irish \$8mn. The yen closed at 203.60 in Tokyo and 203.15 in London (compared to 239.65 last year). Yesterday in New York the Bank of Japan bought \$3mn.; this morning in Tokyo they took in \$212mn.

Gold was steady. There were few participants and only one fixing which set the price at \$589.50. A year ago the metal was fixed at \$524. The price has thus risen by only 12 1/2%, although in the interim the fixing has produced a record level of \$850.

Operations:	Market	-	\$2mn.
	Ghana	-	20
	Interest	+	10
	Government	+	6
	Sundries	+	4
		-	\$2mn.

In December the reserves fell by \$713mn. to a level of \$27,476mn., after net public sector and government debt repayments of \$751mn. The overbought forward position was reduced by \$35mn. to \$1,592mn.

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