

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 2nd January 1981

There was no sonorous ringing in of the New Year in today's markets which seemed to have scarcely the energy, let alone enthusiasm, to reopen just for a day: the London Gold Market found neither. Encouraged by a further upward movement in interest rates the dollar was marked higher; sterling gave less ground than others and the ERI eased only to 78.6.

On New Year's Eve the pound closed in New York at 2.3885. After starting 1981 in London at 2.3875 it had moved to 2.3780 at noon, closing at 2.38. Very little business took place. Euro-dollars rose to 18 1/16% before closing at 17 15/16%. The covered differential in London's favour edged up to 1/2% p.a.

In Germany sterling rose by 3/8% to 4.70% and in France by 1/8% to 10.88%; but was little changed at 4.26 in Switzerland. The Italians had the busiest day, selling \$125mn. as the lira weakened to 937 1/2, although it advanced in EMS to only 3 3/8% below the French franc (4.57 1/2), which ended a full 2 1/8% above its Belgian counterpart (31.88). The Irish sold \$13mn.; the Swedes lost \$26mn. The Swiss and Japanese markets continued on holiday; in London the franc eased to 1.79 but the yen firmed up to 202.45.

In the Far East this morning gold slipped down to \$582, around which level New York was quoting the metal at its opening this afternoon.

Operations:	India	+	\$12mn.
	IDA	+	5
	Sundries	+	5
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		+	\$22mn.
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DAHB

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