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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 9th January 1981

The dollar continued firmer today, as conditions remained tight in New York. Sterling was a fairly quiet market. Official demand, however, continued to support the pound and the ERI edged up to 79.1.

The pound closed at 2.3995 yesterday in New York where the dollar closed generally much stronger. Today the dollar remained firm but struggled at times to maintain the higher New York levels. Sterling opened at 2.4015 and traded quietly through the day between 2.3973 and 2.4045. One or two small buyers were seen and pounds were again purchased in a modest way on official account. Sterling closed at 2.40. Sterling's three-month premium widened by $\frac{1}{2}\%$ to $3\frac{3}{4}\%$ p.a. but Euro-dollars closed only $\frac{1}{8}\%$ firmer and interest parity prevailed at the close.

The pound gained $\frac{1}{8}\%$ in Paris (10.93 $\frac{3}{4}\%$) and Frankfurt (4.72 $\frac{1}{2}\%$) and added nearly $\frac{1}{2}\%$ in Zurich (4.28 $\frac{1}{2}\%$). The dollar hardened in these centres to 4.5570, 1.9705 and 1.7865 respectively. Later, on a rumour that Chase Manhattan had paid \$10bn. to the Algerians as a prelude to the release of the hostages in Iran, the dollar soared. The deutschemerk was quoted at 1.9810, the Swiss franc at 1.7950 and the French franc at 4.5725. Yesterday the Federal Reserve bought \$20mn. worth of deutschemarks. The Belgian franc (31.70) and lira (936.10) respectively closed 2 $\frac{3}{16}\%$ and 3 $\frac{11}{16}\%$ adrift of the French franc in EMS. The French bought deutschemerk worth \$23mn. Elsewhere the Swedes sold \$59mn. The yen closed at 202.30 in Tokyo and 202.15 in London (later 203.10).

Gold regained a little ground but lacked the conviction for any major rally. Fixings were \$579.75 and \$577.75.

Operations:	Market	+	\$19mn.
	India	+	12
	Nigeria	+	10
	Sundries	+	<u>3</u>
		+	<u>\$44mn.</u>

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