

SECRET

THE DEPUTY GOVERNOR.

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 9th June 1981

After an initial brush in the Far East with the recent low level, the pound had another comfortable day in Europe and reacted more to the general surges round the dollar than to any independent force. The money and CGBR figures appeared to have no effect. The ERI eased to 94.6.

In New York last night sterling held on to its closing level in London until the final hour of trading when it dipped to end the day at 1.92. Early this morning business was transacted in Far East markets at 1.9190 but by London's opening there had been a recovery to 1.9340. Misunderstanding about a Bundesbank Council meeting prompted a sharp fall for the dollar across the board and sterling jumped to 1.9590 shortly before midday. The afternoon session was less sensitive to rumour and the rate closed at 1.9425. Eurodollars were slightly firmer, technical considerations allowed for, and the three months' rate closed at 18½%. Forward margins widened and the covered comparison reverted to parity.

Against Continental currencies the pound failed to hold on to good opening levels and it lost a net ¼% in Germany (4.66½) and ¼% in Switzerland (4.10½) whilst gaining about ¼% in France (11.04). The dollar was little changed against the French franc, at 5.6835, but was easier in deutschemark (2.3992) and Swiss franc (2.1137) terms. In Germany it had ranged between 2.4295 at the opening and 2.3720 at the time of the mix-up over the Bundesbank meeting. The deutschemark and Belgian franc (39.19) were 1 13/16% apart at the close. The Italians sold \$78 mn.; the Dutch, deutschemarks equivalent to \$77 mn. and also \$49 mn.; and the Irish lost \$32 mn. The yen closed at 229 in Tokyo, after sales of \$30 mn. by the Bank of Japan, and at 228.15 in London.

Gold lost last night's late sheen and fluctuated narrowly today around the fixing levels of \$463 and \$460.50.

Operations:-	New Zealand	-	\$125 mn.
	British Gas		
	(PSB repayment)	-	40
	Sundries	+	6
		-	<u>\$159 mn.</u>

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