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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 30th June 1981

The Americans bought sterling last night but turned sellers again this afternoon. The burden of today's activities was not, however, felt until after the calculation of the final ERI, which declined only to 94.1.

After a high of 1.9520, following a modest commercial order, the pound closed in New York yesterday at 1.9485. It opened at 1.9442 in London today and touched 1.9485 again but there was little activity this morning. Once New York had opened selling orders appeared but were light enough to depress the pound at the close only to 1.9384 (after 1.9365); then a seller of at least £25mn. entered the scene and the pound fell to 1.9265. Three months Eurodollars eased as Fed Funds opened inclined lower (a trend later reversed), and closed at 17 11/16%; the covered differential widened to 1/8% in London's favour.

Although subsequently falling to around 4.61, by London's close sterling had lost less than 1/8% in Germany (4.63%) and France (11.05%) and was unchanged in Switzerland (3.95%). The dollar was a little higher almost everywhere, rising to 2.3917 against the deutschemark (later, 2.3970), to 5.7022 against the French franc and to 2.0387 (later, 2.0450) against the Swiss franc. EMS was taut all day and the Belgian franc (39.19) was given increased support: \$69mn. was spent in addition to \$65mn. in deutschemarks and \$25mn. in Swiss francs. Its divergence indicator was 71. The Italians, who reported sales of \$54mn. yesterday, recouped \$43mn. today. The yen eased to 226.42.

Gold lost more glister today but some shine was restored when silver began to recover. Fixings were at \$421.50 and \$426, with a low price outside the fixing sessions of \$418.25.

Operations:	Market	-	\$37mn.
	New Zealand	-	29
	Ghana	-	10
		-	<u>\$76mn.</u>
	Overnight	-	<u>\$19mn.</u>

The result for June is a fall of \$856mn. in reserves to a level of \$25,631mn., after PSB and other capital repayments totalling \$468mn. The overbought forward position declined by \$185mn. to \$1,320mn.

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