



THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 3rd July 1981

Sterling stayed on the centre court all day but with mixed fortunes: the match went favourably this morning as modest buyers forced a rally but a break point occurred shortly after London's close - at which time the ERI had risen to 92.5 - as several selling orders were suddenly lobbed out. A quick defensive volley then had to be fired. The dollar won some points in Europe and set EMS back to its baselines at times.

In New York last night the pound closed at 1.8942 after touching 1.90. Initially today it eased - from 1.8875 at the opening to 1.8835 - but then gained strength from a number of buying orders in a rather thin market. It peaked at 1.8990, moving between this level and 1.8925 before closing in London 10 points higher. An oil company order to sell £38mn. late in the afternoon was probably diverted but this alarmed other commercial names and a flurry of sellers appeared, taking sterling to 1.8880 and necessitating some official support. With US security markets closed, Fed Funds drifted lower and Euro-dollars were depressed: three months closed at 18 3/16% with the covered differential at parity.

In Germany sterling rose to 4.56 $\frac{1}{2}$ , in Switzerland to 3.91 $\frac{1}{2}$  and in France to 10.85 $\frac{1}{2}$ . The dollar's gains were less acute, probably because of intervention by a number of central banks. It rose to 2.4120 against the deutschemark, the Germans having sold \$14mn.; they also bought \$2mn. of Belgian francs to complement sales by the National Bank in Brussels, totalling \$66mn. (of which \$7mn. in deutschemarks). The franc ended the day at 39.49, about 2 $\frac{1}{2}$ % below the deutschemark. The Italians sold \$87mn., the Irish \$20mn.; but the French bought deutschemarks worth \$13mn., their franc easing to 5.7340. The Swiss franc eased too, to 2.07. The yen followed the general trend also and gave ground to the dollar, closing in London at 228.07.

Gold was steady in quiet conditions, fixing at \$413.75 and \$414.

Operations:	Market	-	\$17mn.
	IDA	+	10
	India	+	10
	Iran	+	10
	Sundries	+	5
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		+	\$18mn.
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