

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 6th August 1981

The dollar has maintained a forward momentum, although this was at times erratic. Sterling was without particular feature and the ERI fell to 90.7.

The New York market was quiet yesterday and the pound closed there at 1.81. It opened this morning at 1.8068 and edged up to 1.8090 before declining almost uninterruptedly to 1.7930 in mid-afternoon. A late rally took it up to 1.7960 at the close. Business was not heavy. Interest rates were steady: after allowing for the usual technical adjustment, Euro-dollars were virtually unchanged at 19½%; the covered premium in London's favour was pared to ¼% p.a. by a slight widening of the forward premium.

In Germany the pound closed at 4.53½, in Switzerland at 3.93½ and in France at 10.80, all a touch lower than last night. The dollar gained about ½%, rising in Germany to 2.5240 (after 2.5282). The Bundesbank sold just \$50mn. Apart from sales of a mere \$9mn. in France, where the franc eased to 6.0137, no other intervention took place in EMS although it was fully stretched at the close between the deutschemark and Belgian franc (41.41). The Swiss franc's closing level was 2.1927. The lira put up the best performance in Europe, being broadly unchanged at 1245½. The yen firmed up, too, as Swiss buying made itself felt: it rose to 2.4042. The Canadian dollar has recovered to 1.2385.

Gold moved up to \$395 this morning but eased back at the second session to \$393.25.

|             |          |   |             |
|-------------|----------|---|-------------|
| Operations: | Market   | - | \$9mn.      |
|             | India    | + | 9           |
|             | Sundries | + | 11          |
|             |          |   | <hr/>       |
|             |          | + | \$11mn.     |
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2