

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 14th August 1981

The exchanges were no less uncertain today. The dollar opened in fine fettle but was cut back to size by a substantial shift of funds into the yen. Later, however, it recovered when the Saudis expressed the hope of a unified OPEC oil price, founded on a cut in their own production. This also proved beneficial to sterling which scored gains across the board. The ERI rose to 90.9.

The pound closed at 1.8027 yesterday in New York, where the dollar was, for the most part, firmer. This morning, Euro-dollars hardened and the dollar opened on a strong note. Sterling was 1.7970 and fell to 1.7925 on the early exchanges. The dollar's advance was stemmed by wholesale buying of yen, which seemed to emanate from Irish banks. The pound moved up in short order to top 1.80 and touched 1.81 early this afternoon before profits were taken. This afternoon saw the dollar drift gradually up from its low point. The Saudi statement, however, put life back into sterling which was marked up to 1.8110 before closing at 1.8060. Euro-dollars lost their earlier gains and closed unchanged. The three-month premium widened again to 5 1/16% p.a and sterling's intrinsic premium rose to over 1/2%.

The pound gained 3/8% in Germany (4.55 1/4), 5/8% in France (10.90 1/2) and 1/4% in Switzerland (3.93 1/4). The dollar advanced respectively to 2.5210, 6.04 and 2.1810 in these countries. EMS required over \$1/2bn. in support. The Belgians sold \$213mn. (of which \$85mn. in deutschemarks), the French spent \$183mn. (including \$23mn. in deutschemarks), the Danes lost \$74mn., the Irish \$35mn. and the Italians \$30mn. The band closed fully-stretched between the deutschemark and Belgian franc (41.35). The yen eased to 233.55.

Gold displayed a very firm undertone and largely resisted American selling this afternoon. Fixings were \$411.50 and \$413.

Operations:	Market	+	\$8mn.
	India	+	9
	Sundries	-	2
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		+	\$15mn.
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*JGH*  
14th August 1981.

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