

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 3rd September 1981

With the long American weekend doubtless in view, the exchanges were very quiet today. Both dollar and pound traded quietly around yesterday's closing New York levels and the only feature was a markedly firmer Swiss franc. Sterling's ERI was unchanged throughout at 90.8.

The pound finished a cent firmer at 1.8520 yesterday in New York where the dollar was generally easier in the wake of selling by the IMM. Sterling began today at 1.8495 and traded throughout the session between 1.8515 and 1.8474, closing at 1.8478. The Far East sold pounds for deutschemarks this morning but there was otherwise little business of note. It was learned, however, with regard to yesterday's jumbo commercial seller, that £100mn. had been completed by mid-morning today, while the balance of the transaction was likely to be financed in dollars. Three-month Euro-dollars lost $\frac{1}{8}\%$ at 18 11/16% (after eliminating the technical adjustment). The forward premium widened to $4\frac{3}{8}\%$ p.a. and the intrinsic discount remained at $\frac{1}{8}\%$.

The pound gained $\frac{1}{8}\%$ in Paris (10.76 $\frac{3}{4}$), lost $\frac{1}{8}\%$ in Frankfurt (4.47 $\frac{1}{4}$) but fell by $1\frac{1}{8}\%$ in Zurich (3.91 $\frac{1}{8}$). Leutwiler's promise of tighter liquidity conditions in the Swiss banking system was quickly fulfilled and the National Bank swapped in \$645mn. to ease the situation. Their franc nonetheless firmed sharply to 2.1197 against the dollar and 0.87 $\frac{1}{2}$ on the deutschemark. EMS was again fully-stretched between the deutschemark (2.4240) and Belgian franc (39.76). The Germans again sold \$19mn. at the fixing; the Belgians sold \$39mn. and deutschemarks equivalent to \$26mn. The French franc (5.8257) met selling pressure and fell to 2.40 $\frac{3}{8}$ against the deutschemark, the Bank of France losing \$110mn.-worth of deutschemarks and \$71mn. The Irish sold \$7mn. The yen remained relatively soft at 229.88 despite Mayekawa's protestations that the currency was undersold. The Canadian dollar firmed further to 119.26. Yesterday the Canadians took in \$231mn.

Gold was bid up to around \$435 in New York yesterday as the dollar weakened and traded comfortably around that level today. Fixings were \$435.25 and \$436.50.

Operations:	Market	+	\$9mn.
	India	+	9
	Sundries	-	1
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		+	\$17mn.
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