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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 11th September 1981

Sterling ended the week on a dismal note. In a thin and unwilling market the Chicago IMM sold the pound this afternoon and, with the dollar itself relatively weak, the ERI closed at 87.5, another low.

The exchanges were quiet throughout the remainder of New York's yesterday and rates were little changed, sterling closing there at 1.7962. This morning most currencies opened at similar levels - the pound at 1.7960 - but the dollar quickly eased and established a lower trading level. Sterling rose to 1.8030 and traded around 1.80 for some time. The pressure of one or two commercial sellers, however, in an otherwise thin market eventually depressed the rate and, despite some further softening in the dollar, the pound was below opening levels by mid-day. Early this afternoon, sterling was restored to 1.8015 as the dollar turned yet softer, but the IMM then sold sterling in size and the pound plummeted, despite official support, to 1.7827 before closing nervously at 1.7885. Three-month Euro-dollars were easier by 3/16% (18 1/16%). The forward premium narrowed in compensation to 4 3/16% p.a. and a small intrinsic discount remained.

The pound fell by $\frac{3}{8}\%$ against the deutschemark (4.30), $\frac{7}{8}\%$ against the Swiss franc (3.68%) and $1\frac{1}{8}\%$ against the French franc (10.31%). The dollar closed slightly firmer against each of these currencies at 2.4042, 2.0607 and 5.7660 respectively but soon after it was again in decline. EMS was fully-stretched between the deutschemark and Belgian franc (39.44). The Belgians sold \$24mn., \$14mn. of deutschemarks and \$6mn. of florins. The French spent \$19mn. and deutschemarks worth \$27mn. The Italians sold \$30mn. and the Germans \$17mn. at the fixing. The Dutch bought \$10mn., the Irish sold \$7mn. The yen eased again to 232.35 in Tokyo but recovered in London to 231.41.

Gold was sold down through \$450 in New York yesterday and spent today consolidating its position a little below that level. Fixings were \$447.75 and \$448.25. Late in the day, with the dollar weakening again, the metal advanced once more through \$450.

Operations:	Market	- \$73mn.
	India	+ 9
	Sundries	- 1
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		- \$65mn.
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