

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSTuesday, 3rd November 1981

A fairly quiet session on the exchanges, with Japan closed this morning for Culture Day and the United States this afternoon for Election Day, was enlivened only by the vote at British Leyland. As the first snippets of news were noised abroad, sterling softened - though selling was never heavy - but, as the final picture began to harden, the pound recovered and finished the day slightly better for choice. The ERI moved up from 88.9 to 89.0.

The pound closed a half-cent cheaper at 1.8645 yesterday in New York, where the dollar turned generally firmer as Federal Funds tightened to a closing level of 16%. This morning the dollar began a little easier but quickly hardened behind a firmer tendency in Euro-dollars. Sterling opened at 1.8682 and soon settled around 1.8650. The initial news from British Leyland was not encouraging and the pound was marked back nervously to 1.8560. The Longbridge plant's rejection of the strike, however, brought a swift recovery to around 1.86 and sterling soon regained its earlier level around 1.8650. This afternoon was very quiet. The tone improved, however, as the votes were counted at BL, and with Euro-dollars and the dollar turning softer as well, sterling moved up to around 1.8725, touching 1.8765 at best before finishing the day at 1.8715. Three-month Euro-dollars were a touch easier (15 3/16%) as was the sterling deposit (15 15/16%). The cost of forward cover widened slightly to 7/16% p.a. so that the covered differential in London's favour was marginally reduced to 5/16%.

Sterling varied by about ¼% on the Continent, losing ground to the Swiss franc (3.37%), gaining on the deutschemark (4.16½) and French franc (10.46%). The Swiss franc continued to strengthen, to 1.8050 on the dollar and 0.81½ on the deutschemark. The Swiss National Bank bought \$45mn.-worth of deutschemarks and swapped in \$1,450mn. EMS was more than fully-stretched by London's close between the Danish krone (7.1302) and deutschemark (2.2255). The Germans sold \$2mn. and the Irish \$8mn., while the Dutch bought \$13mn.-worth of deutschemarks. Elsewhere, the Swedes sold \$15mn. The yen advanced to 229.

Gold was again very quiet and subdued. The fixings set levels of \$427.75 and \$428.25.

Operations:	Market	+	\$13mn.
	Interest	+	7
	Bangladesh	-	9
	Ghana	-	6
	Sundries	+	2
			<hr/>
		+	\$7mn.
			<hr/> <hr/>

Jm 3rd November 1981.

JGH