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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 4th November 1981

The exchanges experienced a much quieter day than many had expected, given the Americans' return from holiday. The dollar eased, but reluctantly. Sterling was reasonably comfortable for the most part but tended softer on the Continent and found an obstinate barrier at the 1.88 level against the dollar. The ERI reverted to 88.8.

The dollar began the day slightly easier, despite some marginal firming in Euro-dollar deposits. Sterling opened at 1.8750, touched 1.8705, but quickly found a range around the opening level. A large buyer of pounds in the Far East made little impact on the rate. The dollar eased in mid-morning and sterling climbed to 1.8795, meeting for the first time a professional inclination to sell at around 1.88. The pound returned to its earlier range as the dollar recovered. In late morning, the Continent sold dollars heavily in anticipation of New York's return. Sterling touched 1.8820 more than once but each time professional resistance was encountered in this area. New York opened with Federal Funds at 15 $\frac{3}{8}$ %, lower than on Monday, but still somewhat higher than generally anticipated. The dollar recovered ground before easing slightly towards the close. Sterling, however, was remarkably steady, trading throughout within sight of 1.8775 before closing at 1.8770. Three-month Euro-dollars shed 3/16%, closing at 15%. The inter-bank sterling deposit finished a fraction softer at 15 $\frac{3}{8}$ %. The cost of forward cover widened only marginally to $\frac{1}{2}$ % p.a. and the covered differential thus moved up to $\frac{3}{8}$ % in London's favour.

The pound lost $\frac{1}{4}$ % in Paris (10.44 $\frac{1}{2}$), $\frac{3}{8}$ % in Frankfurt (4.14 $\frac{1}{2}$) and $\frac{1}{8}$ % in Zurich (3.34 $\frac{1}{2}$). The Swiss franc again led the dollar down, closing at 1.7845 and 0.80 $\frac{1}{2}$ to the deutschemark. The Swiss bought \$70mn. and \$9mn.-worth of deutschemarks and swapped in \$470mn. The Danish krone (7.0987) and deutschemark (2.2105) contained EMS, which was 2 3/16% in width at London's close. The Dutch bought \$30mn. and \$122mn.-worth of deutschemarks. The Italians sold \$156mn. Elsewhere, the Swedes spent \$43mn. The yen improved again to 227.11.

Gold remained extremely dull. Fixings were \$431 and \$431.25.

Operations:	Market	-	\$14mn.
	India	+	9
	Interest	+	5
	Sundries	+	1
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