

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSThursday, 5th November 1981

There were very few fireworks on the exchanges today. Most currencies traded in yesterday's ranges, the dollar tending slightly softer this afternoon on interest rate considerations. The Swiss franc continued to sparkle. Sterling was again something of a damp squib, the ERI edging up to 89.0 again. After the close, however, the dollar took off like a rocket when the US Office of Management and Budget produced a very substantial upward revision in their forecast budget deficit for Fiscal 1982.

The pound closed easier at 1.8725 in New York yesterday; the dollar finished generally firmer after a small buying raid by the IMM. This morning sterling opened at 1.8732 and mirrored the dollar's movements for most of the day. Pounds were dealt at 1.8723 on the early exchanges but thereafter, as yesterday, the rate was never far from 1.8775. Two-way professional business and a modest commercial buyer saw out the morning and a best level of 1.8805 again proved difficult to surpass. With Federal funds at around 14½% and one major Prime Rate reduction to 17%, the dollar softened towards the close and sterling touched 1.8805 once more before closing at 1.88. Later still there was business briefly at 1.8840 but, following the forecast from the O.M.B., the pound fell back to around 1.87. Three-month eurodollars gave up 5/16% (14 11/16%) while the comparable sterling deposit was 3/16% softer at 15 11/16%. The cost of forward cover widened by 3/16% to 11/16% p.a., so that sterling's intrinsic premium fell slightly to 5/16%.

The pound was a touch softer in Switzerland (3.34½), a touch harder in Germany (4.15½) and gained ¼% in France (10.46½). The French franc (5.5675) was particularly soft, falling to 2.52½ to the deutschemerk. The French sold \$15mn. The Swiss franc (1.7787) hardened to 0.80½ to the deutschemerk and the Swiss bought \$30mn. EMS narrowed to 1¼% in width between the Danish krone (7.11) and deutschemerk (2.2082). The Dutch bought \$136mn.-worth of deutschemarks. The Italians sold \$179mn. The Swedes, too, spent \$42mn. The yen eased slightly to 227.46.

Gold continued dull. Fixings were \$428.90 and \$428.50 and the price rarely moved far from these levels.

Operations:	Market	+	\$5mn.
	Sundries	+	4
		+	\$9mn.

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