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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 11th November 1981

There were no notable features in today's markets which saw the dollar lose some ground (perhaps on East European selling) and sterling move ahead late in the day. The ERI recovered to 89.2.

With New York preparing for today's Veteran Day holiday, the market there was inactive last night: sterling closed at 1.8642. It opened this morning in London at 1.8712 and found Swiss professional operators to be early sellers, in small amounts but sufficient to nudge the rate to 1.8660 for a while. By noon some buying in London brought a recovery to 1.8780. The IMM were taking no holiday and bid this afternoon for sterling, which reached 1.8842 before closing a couple of points lower. Euro-dollars and sterling interbank rates were little changed.

The late rally left sterling a touch higher in Germany (4.16%) and against the French franc (10.52%); but it was easier in Switzerland again (3.34%). EMS continued to edge narrower and closed 1 11/16% wide between the deutschemark (which strengthened to 2.2117) and the Danish krone (7.1377). The Dutch bought \$35mn. and deutschemarks equivalent to \$23mn. The French franc improved to 5.58%, the Swiss franc to 1.77½ and the yen to 227½.

Gold remained weak, fixing at \$412.75 and \$412, after the silver price fell below \$9.

Operations:	Kenya	+	19mn.
	Interest	+	10
	IDA	+	6
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		+	\$35mn.
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