

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 20th November 1981

A quiet end to the week was enlivened only by a late raid on the Chicago IMM, where dealers bought dollars heavily against the major currencies. The UK trade figures were well received and ensured further gains for sterling on the Continent. With the dollar firmer, however, sterling's ERI slipped back to 90.5.

As the dollar continued stronger, sterling fell to 1.8985 in New York yesterday before closing there at 1.9030. Profits were taken in the Far East this morning and the dollar began somewhat easier in London. The pound began the day at 1.9092 and touched 1.9110 before meeting selling from Germany, which pulled the rate back to 1.9075, around which point it traded through the morning. The dollar meanwhile recovered most of its losses but had ceded them again by noon. New York returned to bid the dollar higher again although Federal Funds had opened considerably cheaper at 12½%. The Chicago IMM then bought the dollar actively against all the major currencies and the pound was sold down to 1.90 before steadying. The trade figures, however, brought some modest uplift and sterling closed at 1.9065. Later, the dollar moved yet firmer when the Federal Reserve failed to operate in the domestic market. The pound fell to 1.8950 and was last seen at 1.8985. Three-month Euro-dollars eased a touch to 12¾%. The cost of cover widened to 2%, leaving the covered differential unchanged at 3/16% in London's favour.

The pound gained ¼% in Germany (4.28%), ½% in France (10.82%) and ½% in Switzerland (3.45%). The dollar strengthened in these countries to 2.2480 (later 2.2620), 5.68 (later 5.6845) and 1.8115 (later 1.8210). EMS narrowed to 1¼% in width between the Danish krone (7.2450) and deutschemark. The Germans sold \$46mn. and \$200mn. outright forward. The Italians spent \$92mn. but the Dutch took in \$18mn.-worth of deutschemarks. Elsewhere, the Swedes sold \$21mn. The yen advanced to 218.92.

Having recovered to \$401 in New York yesterday, gold was extremely quiet today and barely moved from that level. Fixings were \$401 and \$401.50.

Operations:	Market	-	\$9mn.
	Crown Agents	+	8
	Sundries	+	6
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		+	\$5mn.
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