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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 26th November 1981

A quiet Thanksgiving saw little movement in rates outside Italy, where the lira fell to a record low against the deutschemark. Sterling found one official buyer of size and this sufficed to keep the pound buoyant. The ERI rose to 91.3.

The pound closed at 1.9340 in New York yesterday and began this morning at 1.9352 touching 1.9395 on the early exchanges before reverting to opening levels. One large order on Central Bank account brought the pound to around 1.94 and it stayed close to that level for most of the day, hitting 1.9430 late this morning. Shortly before the close sterling dipped to 1.9350 and finished the day at 1.9370. Three-month Euro-dollars were a shade firmer at 12 1/16%, sterling deposits a shade easier at 14 3/4%. The forward discount, however, widened to 2 3/8% p.a. so that sterling's intrinsic premium was all but eliminated.

The pound was a fraction softer in Paris (10.86 3/8%), a little firmer in Frankfurt (4.31 1/8%) and Zurich (3.44 3/8%). The dollar was barely changed in these centres at 5.61, 2.2260 and 1.7780 respectively. EMS narrowed to 1 13/16% in width as modest pressure was felt by the Danish krone (7.1725) which required \$23mn.-worth of official support. The French franc in second place improved somewhat, relative to the rest of the band. The lira closed only 1/4% above the deutschemark and the Bank of Italy sold \$156mn. The Belgians sold \$17mn. (\$4mn. of which in florins), the Dutch bought \$16mn. (\$11mn. of which in deutschemarks). Elsewhere the Swiss took in \$60mn. and the Swedes spent \$10mn. The yen closed at 216.02.

Gold rallied to \$413 in New York yesterday but profits were taken in the Far East this morning and Europe passed the day around yesterday afternoon's levels. Fixings were \$409.75 and \$409.50.

Operations:-	Market	+	\$29mn.
	BIS	+	35
	Interest	+	16
	India	+	10
	Ghana	-	8
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		+	\$82mn.
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