

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 16th December 1981

At the end of a quiet day, with markets seeming to lack any direction, both dollar and pound made slight gains. The latter's ERI rose to 90.2.

Demand for sterling continued in New York last night, boosting the rate to 1.8985, but London opened to a better dollar, at 1.8875. There was good demand for sterling at times, in particular for official account, and - after ranging between 1.8860 and 1.8985 - the pound closed at 1.8915. Euro-dollars continued on an offered tack and fell back to 12 $\frac{1}{2}$ %, the softer tone at the close being underlined by the 2.1% decline in US industrial production which had improved bond prices. Sterling interbank was little changed at 15 $\frac{1}{2}$ %; the covered premium widened to 7/16% p.a.

In Europe the pound rose everywhere, gaining about $\frac{1}{2}$ % in Germany (4.29 $\frac{1}{2}$ %), France (10.88 $\frac{1}{2}$) and Switzerland (3.45 $\frac{1}{2}$). The dollar's performance was not quite as marked: it improved to 2.2712 against the deutschemark, to 5.7535 against the French franc. The Belgian franc eased to 37.87 and yielded first place in a constricted EMS (1 $\frac{3}{8}$ % wide) to the Danish krone (7.3487). The Italians bought \$41mn., the Dutch \$25mn. In Switzerland the franc was virtually unchanged at 1.8255. The yen kept pace with the pound: it had risen to 217 in New York, opened at 219.12 in London, touched 216.87 and closed at 217.82.

Gold moved higher in the Far East this morning but drifted down in London, fixing at \$418 and \$416.75.

Operations:	Market	-	\$3mn.
	Iraq	+	19
	BIS	+	16
	Interest	+	6
	Ghana	-	5
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			+ \$33mn.
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