

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 30th December 1981


Another quiet day found most players reluctant to be involved before the new season. Those few who flexed their muscles offered perhaps some pointers to future form. Euro-dollars attempted an easier trend, without success. The dollar, however, was softer and the pack was led by the yen, the pound and the deutschemark. Sterling's ERI rose from 90.5 to 90.9.

The pound closed a little better at 1.9035 yesterday in New York where the dollar was generally easier. Euro-dollars opened somewhat softer but quickly turned to erase their losses. The dollar, however, was rarely far from its New Year closing levels throughout most of the day. Sterling began at 1.9017 and, after dipping to 1.8995, met modest demand from a Continental European source. This kept the pound towards the front of the field. Federal Funds opened at 13 $\frac{1}{8}$ % but soon eased to 12 $\frac{1}{2}$ %. This brought renewed weakness for the dollar which closed around the day's lowest levels. Sterling touched 1.9042 before finishing at 1.9035. Later the IMM bought pounds and deutschemarks. Sterling was bid up to 1.9130. Three-month Euro-dollars ended the day 1/16% firmer at 14%. The sterling deposit lost 3/16% (15 $\frac{1}{2}$ %). The forward discount narrowed appropriately by $\frac{1}{4}$ % to 1 $\frac{1}{8}$ % p.a. and the covered differential remained at $\frac{1}{8}$ % in London's favour.

The pound gained $\frac{1}{4}$ % on the deutschemark (4.30 $\frac{1}{2}$), $\frac{3}{8}$ % on the Swiss franc (3.43 $\frac{1}{2}$) and $\frac{1}{2}$ % on the French franc (10.91 $\frac{1}{2}$). The dollar weakened against each of these to 2.26, 1.8025 and 5.7345 respectively. A late spurt by the Danish krone (7.3450) carried it to the top of EMS, hand-in-hand with the French franc. The Belgian franc (38.51) was 1 $\frac{1}{8}$ % adrift. The lira (1208.40) and punt (1.5730) were only fractionally below the leaders. The French bought \$25mn. and a few deutschemarks. The Dutch bought deutschemarks worth \$18mn. Elsewhere the Swedes spent \$68mn. The yen recovered strongly to 219.72.

Gold remained soft. Fixings were \$397.25 and \$397.50.

Operations:	Iran	+ \$20mn.
	Germany	+ 15
	Interest	+ 8
	Sundries	+ 3
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		+ \$46mn.
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 30th December 1981.
JGH