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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 13th January 1982

Sterling continued soft today, despite some downturn in US interest rates and the dollar. The ERI fell from 90.7 to 90.3.

The pound was sold from the United States for European currencies in yesterday's twilight hour and fell to 1.8725 against a declining dollar. Thereafter, New York was quiet and sterling recovered partially to close there at 1.8775. This morning the dollar opened little changed from its lower New York levels and traded close to these all day on the Continent. The pound began at 1.8780. The early exchanges were inhibited by the absence of some personnel in certain dealing rooms but Swiss professional selling soon drove the rate to 1.8735 before the opening levels were restored. Early Americans sold pounds, too, and the rate dipped to 1.8730 but the odd commercial buyer and some professional profit-taking restored the pound to 1.8791 before closing at 1.8760. Three-month Euro-dollars shed 7/16% (13 15/16%), sterling deposits only 1/16% (15 7/16%). The cost of cover widened by 3/8% to 1 3/16% p.a. and sterling's intrinsic premium remained at 5/16%.

The pound was weaker by 1/2% in Switzerland (3.47 1/2) and Germany (4.28 3/8) and 5/8% in France (10.87 7/8). The dollar eased to 1.8512, 2.2836 and 5.7987 respectively in these countries. EMS widened to 1 9/16% between the Dutch florin (2.4975) and Belgian franc (38.86). The Dutch bought \$25mn.; the Italians spent \$80mn. Contrary to the general trend, the yen weakened to 223.87.

Gold plumbed new depths. A quiet start led to a fixing at \$387. The later morning was extremely active. The metal was traded gradually down to \$382 in very heavy turnover. Certain erstwhile firm holders of the metal turned panic sellers and stories were told of major liquidation from the Middle East. The price dipped further to \$378 on New York's opening but recovered to fix at \$380, only to fall again, as London closed, to \$379.50.

Operations:	Market	-	\$12mn.
	BIS	-	20
	Bangladesh	-	6
	Sundries	+	9
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		-	\$29mn.
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