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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 3rd March 1980

The dollar continued to gain strength today prompting further massive support from the major Central Banks for their currencies. Sterling traded quietly at first but a surfeit of commercial offerings later provoked professional pressure and the pound finished the day in some disarray. The ERI fell from 73.2 to 72.6.

Sterling closed a good deal easier in New York on Friday at 2.2605. This morning, however, it opened at 2.2677 and traded quietly on the opening exchanges. A large commercial seller induced a drift back to 2.2615 but Middle East buying interest redressed the balance and 2.2685 was paid for pounds shortly before noon. New York bid the dollar up again this afternoon and sterling eased accordingly. Another large commercial seller brought some acceleration in sterling's decline and this encouraged the Chicago IMM to join the bandwagon. Commercial selling from New York, too, added further pressure and the pound fell away to close at 2.2530. Selling continued in the twilight hour and sterling was later offered down to 2.2400. Eurodollar and sterling deposit rates were both firmer. Forward margins widened, the three months' to 1 13/16% p.a. discount leaving a covered differential of 1/2% against London.

The pound lost 3/8% in Switzerland (3.86), 1/2% in Germany (4.01 1/2) and France (9.41 1/2). The Swiss franc fell to 1.7135 (after 1.7180) and the Swiss sold \$160 mn. They also sold \$50 mn. against yen under the new support arrangement with the Japanese. The Bundesbank spent \$414 mn. and \$200 mn. outright forward, the deutschemark easing to 1.7828. The EMS narrowed slightly to 2% in width between the lira (825.32) and Belgian franc (28.95). The Belgians sold \$11 mn., \$12 mn. of French francs, \$6 mn. of guilders and \$5 mn. of lire. The Japanese seemed determined to win credibility for the yen support package announced yesterday. Having sold \$203 mn. in New York on Friday, they spent a further \$739 mn. in Tokyo this morning to secure a close of 248. Later the yen eased to 249.50 before closing in London at 248.38.

Gold traded without feature, although the fixings were fairly active. The price was set at \$637 and \$633.75 for a small net fall on the day.

Operations:	Market	- \$70 mn.
	Bangladesh	- 23
	Iran	+ 35
	Iraq	+ 11
	Interest	+ 11
	IDA	+ 5
	Sundries	+ 5
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		- \$26 mn.
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	Overnight	- \$36 mn.
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