THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS
Monday, 10th March 1980

Sterling enjoyed a relatively quiet day, closing only slightly easier despite a further strengthening in the dollar elsewhere. The German and Swiss authorities continued with forceful support for their currencies. Gold was finally sold through $600. Sterling's ERI finished unchanged at 71.9.

The pound closed comfortably at 2.2230 on Friday in New York. This morning it opened at 2.2235, touched 2.2242 on the early exchanges, then drifted back to 2.2180 as the dollar firmed, before recovering to establish a trading level around 2.22. The Wholesale Price Index was taken without any problem but sterling eased further this afternoon when New York returned to bid for dollars. 2.2153 proved the low point, however, and the pound recovered to close comfortably at 2.2195. Sterling's three-month forward premium widened slightly to ⅛% p.a. and the intrinsic discount was unchanged at ⅛%.

The pound gained ⅜% in Paris (9.38½) and around ½% in Frankfurt (4.01½) and Zurich (3.83⅞). The Bundesbank sold $489 mn. as the deutschemark weakened to 1.81 before closing at 1.8078. The Swiss spent $285 mn., their franc closing at 1.7295. The Dutch florin (1.9801) outpaced the French franc (4.2275) and led the EMS at the close. The band widened to 2 3/16% but with the Belgian franc (29.35) inside the divergence threshold, the Belgians did not intervene. Elsewhere, the Danes sold $19 mn. and the Irish $13 mn. The yen firmed to 247.75 in Tokyo and 247.40 in London. The Japanese sold $4 mn. on Friday in New York (where the Federal Reserve sold $5 mn. against yen for their own account) and $12 mn. in Tokyo today.

Gold tested the $600 level several times this morning, but held nervously steady and was fixed at $602. This afternoon, however, the resistance crumbled. A difficult fixing set a level of $585 and the decline continued until the close at $571.

Operations:	Market	+	$15 mn.
	Government	+	5
	Bangladesh	−	22
	Sundries	−	1
		−	$3 mn.

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JGH