

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 11th March 1980

The dollar topped out this morning bringing some relief to the European currencies. The reaction to its recent strength, however, was not severe and by the close it was generally little changed. Sterling alone met some buying interest and finished higher on the day, the ERI rising to 72.2. Gold hit a low for the year.

The pound closed quietly at 2.2187 in New York yesterday but opened at 2.2162 this morning with the dollar initially forging ahead to new recent highs. Soon enough, however, eurodollar deposits opened on a softer note, drawing comfort from the recent return of confidence in US domestic markets, and the dollar turned back. Sterling quickly topped 2.22 and established a trading range around that level which persisted through the morning. Early this afternoon some good demand for pounds was seen from American banks, dealing for the most part on commercial account, and sterling had advanced to 2.2270 by the time the Banking Statistics were published. These were well received and the pound was bid up to 2.2317 in the aftermath before relapsing before a recuperant dollar to close at 2.2260. Sterling's three month forward premium was $\frac{1}{8}$ % p.a. and the intrinsic discount narrowed to 5/16%.

The pound gained $\frac{3}{8}$ % against the Swiss franc (3.85 $\frac{1}{2}$), French franc (9.42 $\frac{1}{2}$) and deutschemark (4.02 $\frac{1}{2}$), each of which finished with small losses on the dollar at 1.7310, 4.2330 and 1.8093 respectively. The Bundesbank sold \$27 mn. and the Swiss National Bank spent \$20 mn. The French franc recaptured pole position in the EMS from the guilder while the band narrowed to almost 1 $\frac{1}{4}$ % in width. The Belgian franc (29.36) lay beyond the threshold of divergence for much of the day and the Belgians sold \$39 mn., \$38mn. of guilders, \$34 mn. of French francs and \$23 mn. of Swiss francs. The Danes, too, spent \$45 mn. The yen closed at 248 in Tokyo, where the Japanese sold \$21 mn., and 246.65 in London.

Gold continued to ease. Fixings were \$569 and \$570.25 but meanwhile bars were turned at \$557, a new low for the year.

Operations:	Market	+ \$25 mn.
	South Africa	- 11
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		+ \$14 mn.
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