

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSWednesday, 12th March 1980

Sterling met good commercial demand once again today and caused the dollar to give up ground elsewhere in sympathy. The ERI rose to 72.5.

The pound closed little changed at 2.2265 in New York yesterday. This morning, however, the dollar began on a softer tack and sterling opened at 2.23, quickly advancing to around 2.2325 on the early exchanges. A large commercial buyer of pounds then appeared and sterling began to forge ahead, drawing in other keen buyers on the way. 2.24 was paid for pounds before the market turned and steadied eventually around 2.2350. Early New Yorkers, however, also wanted sterling and the rate advanced once more to 2.24. Late in the day the dollar rallied on rumours of an imminent increase in the Discount Rate and sterling retreated to close at 2.2357. The three month forward premium rose to $\frac{1}{2}$ % p.a. but the adverse covered differential was unchanged at 5/16%.

The pound gained a further $\frac{1}{2}$ % in France (9.45), Switzerland (3.86 $\frac{1}{2}$) and Germany (4.04). The dollar closed easier on the day. The Swiss franc was 1.7290, the French franc 4.2272 and the deutschemark 1.8070. The Bundesbank swapped in \$600 mn. for a month to ease the liquidity constraints imposed by their recent intervention. The EMS widened to 2% between the French franc and Belgian franc (29.35). The latter finished at 76 on the index of divergence and the Belgians sold \$29 mn., \$13 mn. of French francs, \$7 mn. of guilders and \$3 mn. of Swiss francs. The yen closed at 247.15 in Tokyo and 247.25 in London.

Gold met good demand from Continental Europe this morning and held its gains thereafter in the face of the dollar's relative weakness. Fixings were \$582.50 and \$585.70.

Operations:	Market	+ \$14 mn.
	SSEB	+ 44
	(PSB G'teed)	+ 9
	Government	+ 2
	Sundries	+ 2
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		+ \$69 mn.

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