

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 2nd April 1980

The exchanges paused to consolidate today; profits were taken in the dollar as positions were tidied ahead of the Holiday weekend. Sterling met two-way interest and slightly lagged the European currencies in a general recovery which embraced all but the yen. The ERI rose to 72.7. After the close, the first 20% Prime Rate in the US gave a fillip to the dollar.

In a thin New York market, the pound traded up two cents yesterday to 2.16 before closing at 2.1555; the dollar was generally easier. This morning the dollar's decline continued in the Far East and it opened a good deal lower in London. Sterling, however, began no better than 2.1505 and soon met selling from the Middle East. With the dollar recovering its poise, sterling drifted back to 2.1421 before finding a level around 2.1450. This afternoon, with US markets reopened, the dollar sold off again. Sterling was marked up in consequence and touched 2.1602 before closing at 2.1575. With three-month eurodollars a touch firmer and comparable sterling deposits a little softer, sterling's forward premium widened to 1½% p.a. The covered differential remained in London's favour by ¾%.

The pound lost a little ground in Paris (9.68%), Zurich (3.98%) and Frankfurt (4.20%). The European currencies closed around their best levels of the day with the deutschemark at 1.9480 and the Swiss franc at 1.8490. Official support was much reduced. Yesterday the Federal Reserve sold \$38 mn. for marks, \$20 mn. for Swiss francs and \$20 mn. for yen, while in New York, too, the Swiss sold \$20 mn. and the Japanese \$64 mn. In Tokyo this morning the yen was battered down to 258 before the Bank of Japan, with a further \$210 mn. of support, brought a close of 256.40. In London it finished at 256.90. The Swiss spent \$200 mn. (swapping in \$115 mn.), apparently to keep the deutschemark cross-rate inside SF.0.95, while the Dutch sold \$35 mn. The EMS was 2½% in width at the close, the French franc (4.4905) still at the head and now -73 on the index of divergence. The French bought \$29 mn., \$4 mn. of Belgian francs and \$129 mn. of marks. The Danish krone (6.0650) finished at the tail, although both the Belgian franc and deutschemark were only fractionally superior. The Belgians sold French francs worth \$10 mn. The Danes sold \$15 mn. and \$7 mn. of French francs.

Gold was quiet and steady ahead of the monthly IMF auction. Fixings were \$498 and \$500.50.

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|-------------|--------------|------------|
| Operations: | Market | + \$7 mn. |
| | Interest | + 12 |
| | India | + 11 |
| | Crown Agents | - 11 |
| | Sundries | + 4 |
| | | <hr/> |
| | | + \$23 mn. |
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JGH