

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 14th April 1980

Yet lower interest rates and anxiety over Iran gave the dollar a poor start, but it later recovered some of the lost ground. Sterling closed a quiet if rather uneven day 0.1 higher in effective terms at 72.7 after 73.0.

Good buying from Chicago lifted sterling to 2.20½ on Friday night before a close in New York of 2.20½. The first rate this morning was almost a cent higher, 2.2145, as the dollar made a weak start in all centres, and sterling went as high as 2.2192 during the morning on some commercial demand before easing to 2.2121 at noon. The dollar was better favoured this afternoon, and sterling slipped back to 2.2030 soon after lunch. The close of a quiet session was taken at 2.2070 after 2.2140. With eurodollar rates down another ¼% or so, sterling moved to a small intrinsic premium of 1/16% on the usual 3-months' comparison despite a fall in the forward premium to 1 3/16%.

The pound was mixed on the Continent, closing slightly weaker at 4.12½ against the mark but a touch better at 9.55½ and 3.84½ in Paris and Zurich. The dollar weakened in New York - where the Fed did not intervene - and again in the early exchanges this morning, touching (for example) 1.8547 against the mark. Lower dollar interest rates and Iran were the main factors. Profit-taking later in the morning and then buying from New York gave it a better complexion. The mark closed at 1.8710 and the Swiss franc at 1.7440, the SNB having sold \$30 mn. The French and Belgian francs bounded the EMS, at 4.3307 (after an early 4.30) and 30.15 nearly 2½% apart and again almost equally divergent. The French bought \$4 mn.-worth of Belgian francs; the Belgians sold \$14 mn.-worth of French currency. The Danes took in \$10 mn. The Bank of Japan sold \$5 mn. in Tokyo, where the yen closed at 251.90; in London it hardened to 251.02.

Gold fixed at \$532.80 this morning, but drifted back to \$529½ at the afternoon session and later traded down to \$523½.

Operations:	Market	+ \$22 mn.
	Iran	+ 25
	India	+ 22
	Ghana	- 18
	Bangladesh	- 7
	Government	- 5
	Sundries	+ 8
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		+ \$47 mn.
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