

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 15th April 1980

A different view of the Iranian situation benefitted the dollar today; it strengthened everywhere despite a fall in euro-dollar rates. Sterling stood up to its advance better than other currencies, closing unchanged in effective terms at 72.7. Gold fell back. Markets remain uneasy.

Sterling fell a cent in New York, to 2.19 $\frac{3}{4}$, and started around that level in London where the dollar was stronger against other currencies too. Apart from one or two sellers on the Continent, few dealers showed much interest in sterling which ranged between 2.1917 and 2.2015 before 2.1980 at noon. The dollar made further gains this afternoon, leaving sterling to close at the day's low of 2.1905. The pound drifted down another $\frac{1}{2}$ cent in late trading. Euro-dollars fell again, to 18 $\frac{5}{16}$ at 3 months; with the premium on forward sterling at 1 $\frac{1}{2}$ %, the covered margin in London's favour widened to 3/16%.

As often when the dollar is strong, sterling gained on the Continent, by as much as 1 $\frac{1}{2}$ % against the Swiss franc (3.89 $\frac{1}{2}$). In Germany and Paris it rose to 4.16 $\frac{1}{2}$ and 9.60 $\frac{1}{4}$. The Fed did nothing yesterday to stand in the dollar's way, and today central bank intervention was very small. A steep fall in US industrial production provided a further sigh of recession there; and the market seemed to focus on the prospect of an embargo on Iranian oil supplies to Europe. The French and Belgian francs bounded the EMS, 2 $\frac{1}{2}$ % apart at 4.3837 and 30.49. The mark (1.8995) like the other member currencies felt the dollar's strength, but only the Irish (who sold £7 mn.) offered official resistance. Among the major currencies the Swiss franc (1.7790) fell most, but the SNB stood back possibly because the mark cross-rate was still a comfortable SF 0.93 $\frac{3}{4}$. The Swedes sold \$30 mn. The yen closed at 252.20 in Tokyo, improving to 251.90 in London. The Canadian dollar weakened again after \$117 mn. of support on Monday, the forthcoming Quebec referendum making for uncertainty.

Gold fell sharply in New York, and drifted further in London, fixing at \$495 $\frac{1}{2}$ and \$497 $\frac{1}{2}$.

Operations:	Market	- \$6 mn.
	Sundries	+ 2
		<hr/>
		- \$4 mn.
		<hr/>

15th April 1980
PAB