

THE DEPUTY GOVERNOR.

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 21st April 1980

Dollar deposit rates declined substantially again today following the surprising decline in the US monetary aggregates reported late on Friday. Despite this, the dollar traded steadily today and was generally a little firmer by the close. Sterling, as often, proved the exception and gained all round. Volume, however, was small and patchy. The ERI rose to 73.2.

The pound eased slightly to 2.2240 in New York on Friday. This morning the early exchanges were quite uncertain. Mirroring the dollar, sterling opened strongly at 2.23, was quickly marked down to 2.2235, then settled to trade quietly through the morning around the middle of this range. Early this afternoon some modest Middle East interest was seen and, in a thin market, the pound was run up to 2.2405 before relapsing to close quietly at 2.2320. Eurodollar deposits closed around $\frac{1}{2}\%$ easier and forward margins moved to a premium for the dollar for all periods beyond one month. At the close, the cost of three months' cover was $\frac{1}{2}\%$ p.a. and this gave sterling an intrinsic premium of 5/16%.

The pound gained $\frac{1}{2}\%$ in Paris (9.60 $\frac{1}{2}$) and $\frac{1}{2}\%$ in both Zurich (3.85 $\frac{1}{2}$) and Frankfurt (4.13 $\frac{1}{2}$). There was no intervention on the Continent. The Swiss franc eased to 1.7270 and the deutschemark to 1.8515. The French franc (4.3042) and lira (868.65) continued to bracket the EMS, 1 $\frac{1}{4}\%$ apart. The yen closed at 249.85 in Tokyo but weakened to 250.17 (after 251) in London following the reported cessation of oil supplies by Iran.

Gold tended softer for much of the day. Fixings were \$506.50 and \$506 and the price breached \$500 before the close.

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|-------------|--------------|------------|
| Operations: | Market | + \$18 mn. |
| | Iran | + 40 |
| | IDA | + 9 |
| | Interest | + 8 |
| | Kenya | + 5 |
| | Crown Agents | - 11 |
| | Government | - 9 |
| | Sundries | - 2 |
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| | | + \$58 mn. |
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