



THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 23rd April 1980

Further sharp declines in dollar deposit rates sent the dollar into a tail-spin today. Sterling met good demand from the Middle East this morning and later, when American dealers sold the dollar, the pound was again on the wanted list. Typically, however, it did not keep pace with the Continental European currencies and the ERI closed unchanged at 73.5 (after 73.7 at noon).

The dollar was easier in New York yesterday and sterling closed firmer at 2.2422. The Far East continued to mark the dollar down this morning and the pound opened at 2.2465 in London. The dollar lost further ground on the early exchanges but thereafter enjoyed a steadier morning. Sterling, however, met good buying interest, especially from the Middle East, and, after dipping three points from the opening level, it appreciated through the morning, touching 2.2568 before settling around 2.2550 towards midday. Early this afternoon, short-term dollar deposits eased markedly and the dollar fell sharply again. Sterling crested 2.26 but the Saudi request that the UK ambassador be withdrawn knocked the pound back to 2.2565. However, this was short-lived. Chase Manhattan cut Prime Rate by ½% to 19% and the dollar was widely sold again. The pound advanced to 2.2665 but dipped suddenly to close at 2.2585. Soon after the rate was returned to 2.2645. Eurodollar deposits were easier by ½-1%. Forward margins widened and the cost of three months' cover rose to 13/16% p.a. The covered differential moved to ¾% in London's favour.

The pound lost ¾% in Paris (9.61½), ¾% in Zurich (3.85½) and 1% in Frankfurt (4.12¾). The deutschemark strengthened to 1.8270 and the Swiss franc to 1.7080. The Bundesbank bought a mere \$8 mn. and the Swiss swapped in \$870 mn. The EMS continued relaxed, spread 1¾% between the French franc (4.2575) and lira (858). The yen firmed to 248.35 in Tokyo and 245.57 in London.

Gold remained very steady throughout the day. The fixing prices were \$506.75 and \$506.50.

Operations: Market	+ \$27 mn.
India	+ 23
Ireland	+ 23
Bangladesh	- 11
Government	- 9
Sundries	+ 1
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	+ \$54 mn.
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Overnight	+ \$14 mn.
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