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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 11th February 1981

The exchanges were very quiet today in advance of the holidays in the United States on Thursday and Monday. The dollar tended firmer in response to some hardening in deposit rates. Sterling lost ground this morning but held steady this afternoon. The ERI closed unchanged at 104.2

The pound closed at 2.3427 in New York yesterday where the dollar was generally softer. This morning, with Euro-dollars better bid, the dollar quickly made up all and more of its overnight losses. Sterling opened at 2.3382, touched 2.3410 on the early exchanges then quickly eased back to establish a trading range around 2.3370. This afternoon saw added momentum to the dollar's advance. Sterling, however was little troubled, falling to 2.3327 before finishing the day at 2.3355. Three-month Euro-dollars were firmer by around  $\frac{1}{8}$ %. Sterling's forward premium, however, widened only to  $4\frac{1}{8}$ % p.a. so that the intrinsic premium fell to 1/16%.

The pound was unchanged in Paris (11.58 $\frac{1}{2}$ ), a touch firmer in Frankfurt (5.02 $\frac{1}{2}$ ) and  $\frac{1}{4}$ % better in Zurich (4.56 $\frac{1}{2}$ ). The dollar improved in all these centres to 4.96, 2.1517 and 1.9540 respectively. The Bundesbank sold \$14mn. EMS finished slightly less than fully stretched between the French and Belgian (34.52) francs. The French and Belgians respectively bought and sold just \$3mn.-worth of each other's currencies. The Danes took in \$6mn.-worth of deutschemarks and \$34mn. The Swedes recouped \$40mn. The yen closed at 203.60 in London. Tokyo was closed for National Founding Day.

Gold gave up ground in New York yesterday and continued to drift easier throughout today. Fixings were \$505 and \$501.

Operations:	Market	+	\$7mn.
	IDA	+	5
	Sundries	-	3
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		+	\$9mn.
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*JGH* 11th February 1981.

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