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THE DEPUTY GOVERNOR.

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 20th February 1981

A miserable end to a bad week for the dollar, which has continued to be much affected by the push-me-pull-you of interest rates and the decision by central banks to do little to support it. It fell some 3% today in most Continental centres - but not in London where it lost about 2%. The rise in sterling's ERI was only up to 102.5.

The pound jumped nearly 5 cents in New York last night, closing there at 2.3250. In London today it opened at 2.3080 and in early quotations eased to 2.2995. However, a central bank order to buy £40 mn. afforded support which helped to sustain a movement up to 2.3307 shortly before the close of 2.3250. This was at the time of the dollar's greatest weakness today. Eurodollar rates for three month money had declined to 16 5/16% at the close but on the covered comparison sterling was little changed at 1/4% p.a. discount.

On the Continent the pound slipped down, to close at 4.84 1/2 in Germany, 11.31 1/4 in France and 4.36 3/8 in Switzerland. After a low of 2.0780, the dollar closed at 2.0840 against the deutschemark - a fall of about 12 pfennigs (say, 6%) in the week. EMS remained between the florin (2.2745) and Belgian franc (33.70), 2 1/16% apart; the Dutch bought Belgian francs worth \$11 mn. The French sold \$41 mn. and their franc improved to 4.86 1/4. The lira matched sterling's performance, gaining about 2 1/4% to close at 1,003. The Swiss franc strengthened to 1.87 1/2 but the yen remained quiet, closing at 205.70 in Tokyo and 206.25 in London.

Gold rose in the Far East and held firm into the first fixing, \$514.75; but eased early this afternoon to fix at \$511.50. It shed another \$5 later in New York.

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| Operations: | Market | + \$4 mn. |
| | Interest | + 6 |
| | Ghana | - 7 |
| | Sundry | - 3 |
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