

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 3rd March 1981

The dollar began the day on a firm tack but then lost way, being finally blown off course by lower interest rates at the start of the American money markets. Sterling surged ahead and the ERI rose to 99.5.

Having dipped to 2.1745 in New York last night sterling opened today in London at 2.1812. As the dollar strengthened generally the rate eased back to 2.1755 but by noon had returned to opening levels on some Middle East demand. This afternoon the pound took advantage of the dollar's renewed weakness and some commercial buying, touching 2.1990 before closing at 2.1987, a gain of about $\frac{1}{8}\%$ since last night. After allowing for technical adjustments, Euro-dollars opened well bid but then softened to close unchanged, at 17 $\frac{5}{16}\%$ for three months; the covered differential was $\frac{1}{8}\%$ in London's favour.

In Europe, the pound put on 1% in Germany (4.75%) and France (11.19%), about $\frac{1}{8}\%$ in Switzerland (4.36). The dollar reached 2.1820 against the deutschemark but had fallen to 2.1617 at the close, some $\frac{1}{8}\%$ lower than last night. In EMS the Belgian franc remained the weakest and under pressure: it closed at 35.40, a full 2 $\frac{1}{2}\%$ below the florin (2.3845). The Belgians sold florins worth \$56mn. and the Dutch bought francs worth \$7mn. The French sold \$20mn. The Swiss franc improved to 1.9830 and the yen, which had closed in Tokyo at 210.40, strengthened to 208.92. The Swedes bought \$40mn.

Gold rose to \$466.25 this morning and then took heart from the easing of American interest rates to fix at \$471 this afternoon.

Operations:-	Market	+	\$11mn.
	India	+	22
	Interest	+	17
	Iran	+	10
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		+	\$60mn.

DAHB
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