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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 5th March 1981

After losing some ground in the Far East the dollar again strengthened today in less disquieted markets, although it failed to hold its better levels. The future path of German interest rates appeared to be the predominant influence. For sterling this was an unexciting day; small gains were notched up in most centres and the ERI was restored to 99.0.

In New York last night sterling closed at 2.2145. It opened in London at 2.2025 today and ranged quietly between 2.2067 and 2.1950 before closing at 2.2015. Euro-dollars moved slightly firmer - to 16½% at three months - and the covered comparison was at parity.

The pound was unchanged in Germany but improved to 11.08½ in France and to 4.29 in Switzerland. The deutschemark produced the best performance today, rising to 2.1367 (after 2.1442) and eclipsing the French at the top of EMS; the franc eased to 5.03½. The use of the overnight Lombard facility in Germany (which will be available tomorrow, too) was DM 26bn., resulting in a net repayment of DM 2bn. Although EMS closed less than 2% wide, pressure had been exerted on the Belgian franc, which required \$53mn. of support, mostly in deutschemarks. It weakened to 34.96. The lira fell sharply this morning and the Bank of Italy spent \$64mn.; it closed little changed on last night, at 1031. The Danes sold \$34mn. The Swiss franc and yen were a touch easier, at 1.9485 and 209 respectively.

Gold fell to a 15-month low in fixing at \$457 this morning; it rallied this afternoon to \$461.50 at the fixing and later to \$465.50.

Operations:	Market	+ 7 spot	
		+ 61 fwd.	+ \$68mn.
	Interest		+ 13
	Iran		+ 10
	India		+ 7
	IDA		+ 5
	Sundries		+ 3
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			+ \$106mn.
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