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SECRET

THE DEPUTY GOVERNOR

Friday, 6th March 1981
FOREIGN EXCHANGE AND GOLD MARKETS

On balance a slightly better day for the dollar which again lost the advantage of a stronger performance. The pound had a quiet morning but was suddenly sold early this afternoon. The ERI fell to 98.7.

Sterling closed at 2.2005 in New York last night and opened today in London at 2.19, the dollar having moved up in the Far East. By mid-day it had drifted to 2.1845 and soon after met professional and commercial selling which lowered the rate to 2.1795. Thereafter calm again descended but the pound ascended, closing at 2.1937 after 2.1957. Forwards were steady and Euro-dollars came off at the close: to 16 11/16% for three months. The covered comparison remained at parity.

In Germany the pound eased to 4.68½, in France to 11.03½ but in Switzerland it rose to 4.29¾. In EMS the French franc resumed the lead, closing a touch firmer at 5.0210, 2½% above the Belgian franc (35.00); the Belgians sold the equivalent of \$87mn., mostly in French francs, whilst the French bought Belgian francs worth \$9mn. The deutschemark was virtually unchanged at 2.1370 (having weakened to 2.15½ this morning). The Italians sold \$30mn. The Swiss franc weakened to 1.9585. The yen was again quietly traded, closing at 208.90.

Gold was undecided at first and fixed at \$462, having opened about \$3 higher. It rose further this afternoon to fix at \$467 and then spurted up to \$472.50.

Operations:	Market	+	\$2mn.
	India	+	11
	Ireland	-	75
	Sundries	+	1
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		-	\$61mn.
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6th March 1981,
DAHB

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