

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 11th March 1981

Apart from a few bears, who had expected a larger cut in MLE seen running for cover, the market displayed no particular sentiment of reaction over the Budget. The dollar virtually recovered yesterday's lost territory but sterling's ERI rose to 99.3.

In a rather nominal market at times the pound was quoted in New York last night in a range of about 2.20 $\frac{1}{2}$ -2.23 $\frac{1}{2}$ before closing at 2.2145. There was some selling in the Far East, apparently on the news of the Exchange Control amendments. Sterling opened in London at 2.2080, dipped 10 points but then recovered as buyers came in to square positions. In mid-morning 2.23 was paid. Shortly after New York opened there was a selling interest from professionals who had hoped to see 2.23 surpassed and sterling eased to 2.2177; by the close it had recovered to 2.22. Forward margins narrowed and Euro-dollar rates eased as Fed Funds opened and remained rather low; three-months close at 15 7/16%. The covered differential moved to $\frac{1}{2}$ % against London.

In Europe the pound more than reversed yesterday's movement, rising to 4.70% against the DM, 11.07% in French franc terms and 4.30% in Switzerland. The dollar's success was less marked: it gained about $\frac{1}{2}$ % against EMS wherein the French franc (4.99) just edged out the deutschemark (2.11 $\frac{1}{2}$) at the top. The French had, however, sold German currency worth \$52mn. The Belgians, whose franc (34.74) was 2 $\frac{1}{2}$ % below the French, were sellers of deutschemarks equivalent to \$21mn. The Italians sold \$100mn. The Swiss franc lost 1 $\frac{1}{2}$ %, closing at 1.9410. The yen was featureless: it closed weaker at 207 $\frac{1}{2}$.

Gold was again offered out of Far East names, particularly during the first fixing which concluded at \$475.50. Although steady until the second session, where the price fixed at \$476.25, New York names then sold and the final London price was around \$473.

Operations:	Market	+	\$9mn.
	Ghana	-	5
	Sundries	+	8
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		+	\$12mn.
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