

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 12th March 1981

Although EMS remained subject to pressures, the pace of activity seemed to slacken today, certainly so far as the pound was concerned. There was some overnight softness and the ERI, which had opened at 98.9, eased to 99.1.

Sterling drifted down to 2.2110 in New York yesterday but climbed steadily back in London today. Opening at 2.2122 it had reached 2.2220 in mid-afternoon, closing at 2.2182. Forward margins widened a little and Euro-dollars were inclined softer; but so was interbank sterling and the covered differential widened to 5/16% against London.

Net losses were recorded by the pound in Europe: after opening around 4.67½ in Germany it rallied to 4.68½ - a net loss of ½% on last night; in France it fell to 11.05½ and in Switzerland to 4.29½. The dollar had a very steady day and fluctuated only narrowly. It opened against the deutschemark at 2.1110 and closed at 2.11½. The Germans ousted the French franc (4.9820) from the top of EMS, in spite of another wave of deutschemark sales by the Bank of France, equivalent to \$172mn. The Belgian franc remained a troubled currency and required support of \$133mn., all in deutschemarks, before its close at 34.63. The Italians sold a further \$150mn.: the lira is now at 1024.60. There were sales of \$15mn. and \$19mn. respectively by the Danes and Irish. The Swiss franc improved to 1.9360; the yen was little changed at 207.41.

Gold was steady but actively traded; fixings were at \$477.50 and \$478.

Operations:	Market	-	\$7mn.
	Iran	+	60
	Sundries	+	7
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		+	\$60mn.
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