

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 13th March 1981

Markets were again steady and sterling particularly quiet. EMS celebrated its second birthday without much relief from recent stress. Sterling's ERI was unchanged at 99.1.

Having closed in New York at 2.2220 last night and opened in London at 2.2237 today, sterling ranged between 2.2245 and 2.2145 before closing at 2.2205. Very little business was noted. With the Fed Funds rate again dipping, Euro-dollars edged lower - to 15 5/16% for three months - and, with forward margins failing to compensate, the covered differential shrank to a bare 1/16% against London.

The pound recorded small mixed changes in terms of Community currencies: it was a touch lower in Germany (4.68½) and France (11.04½). It fell to 4.27½ in Switzerland, however, where the franc had a good day in dollar terms, improving ½% to 1.9260. The deutschemark held on to the strongest position in EMS, a shade better at 2.1090, 2½% above the Belgian franc (34.58) in whose defence \$116mn. was spent in deutschemarks. The French sold only \$20mn. (of deutschemarks); the Italians lost another \$100mn., the Danes sold \$39mn. The yen closed virtually unchanged at 207.48.

Gold rose in overnight markets and remained firm in London; each fixing was at \$492.

Operations: IDA + \$10mn.

13th March 1981.

DAHB

DAHB