

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 19th March 1981

Sterling came under pressure today as a number of commercial operators decided it was time to buy other currencies. The ERI was unchanged at 100.2, however, because of the dollar's continued weakness.

In New York last night the pound closed at 2.2930. It opened 10 points lower today and steadily fell back as several selling orders appeared, mostly for commercial reasons but one suspected of being connected with the disposal of investments. The low point was 2.2695, at which level an oil company began to buy pounds. The rate closed at 2.2795, after 2.2815. Following a lower Fed Funds' rate and the Chemical prime cut to 17%, Euro-dollars opened well offered but edged up this afternoon. Three-months closed at 13 $\frac{1}{2}$ %. The covered comparison reverted to parity.

Sterling eased by some  $\frac{1}{2}$ % in Europe: to 4.67% in Germany, 11.01% in France and 4.25% in Switzerland. The dollar fell to 2.0515 against the deutschemark (receiving only \$5mn. of support from the Bundesbank near the opening level of 2.0355). EMS was again very uneasy, although it was less than 2% wide at the close. The Belgians, whose franc closed at 33.54, were sellers of deutschemarks worth \$87mn.; the French sold another \$209mn. of German currency; and the Italians lost \$252mn. as the lira improved to 999 $\frac{1}{2}$ , just under 4 $\frac{1}{2}$ % below the deutschemark. The Swiss franc rose to 1.8657 but the yen weakened further, to 209.20.

Gold remained nervous. After reaching \$515.37 in the Far East it weakened to fix at \$512.75 and \$510.

Operations:	Market	-	\$9mn.
	Iran	+	15
	Interest	+	13
	IDA	+	8
	Sundries	+	3
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			+ \$30mn.
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