

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 24th March 1981

The pound was in good demand in the past 24 hours, mainly for commercial account, and the ERI has climbed to 100.6. The dollar turned a little weaker.

Business up to 2.2650 was reported as the IMM in Chicago bought sterling last night in New York, where the rate closed at 2.2620. This morning in London the pound opened at 2.2557, touched 2.2532 and then improved through the day, closing at 2.2645 after reaching 2.2655. It was well wanted - probably as much as £50mn. - by an oil company and this encouraged some professional buying. Interest rates and forward margins were steady.

Sterling rose about $\frac{1}{2}\%$ in Germany (4.72), France (11.10 $\frac{1}{2}$) and Switzerland (4.29). Buoyed up by the pound in New York, firmer Euro-dollar rates and the Polish crisis, the dollar began strongly but, following the latest cuts in prime rates to the 17 $\frac{1}{2}$ % level, closed with small net losses in Europe. The French franc, which improved to 4.9040, remained 2 $\frac{1}{2}\%$ firmer than the Belgian franc (34.14), which required \$49mn. of support, principally in deutschemarks. The lira was virtually unchanged at 1041.60, after the loss of \$100mn., but had slipped to 13/16% below the top of EMS. The deutschemark improved to 2.0845 having weakened to 2.0955 earlier. The Swedes bought \$40mn. The Swiss franc recovered to 1.8945; the yen was steady at 208.55.

Gold fell to \$519 at one point in New York but recovered in the Far East and remained firm thereafter. Fixings were at \$531 and \$536.25.

Operations:	Market	+	\$8mn.
	France	+	31
	Government	-	35
	Ghana	-	6
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		-	\$2mn.
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24th March 1981. *LAH*

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