

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 26th March 1981

The dollar continued to advance across the exchanges, invoking another round of heavy intervention on the Continent. Sterling resisted well, supported by commercial buying, and the ERI rose to 100.9.

An insignificant downturn for the dollar in New York last night left sterling at 2.2647. Today it began in London at 2.2620, then ranged between 2.2625 and 2.2555 this morning. Some commercial buying was reported at this time and later in the day also, the rate rallying to close at 2.26. Euro-dollars continued to firm up - three months closed at 14 15/16% - and on the usual covered comparison sterling finished the day at 3/16% discount as forward margins moved out.

Against the deutschemark (4.74), French franc (11.18½) and Swiss franc (4.32½) the pound improved by ¼%, about the same degree of success as the dollar achieved. The deutschemark eased to 2.0977, 2½% stronger than the Belgian franc (34.40) which today required \$189mn. of support in deutschemarks and \$34mn. in Swiss francs. The position of the lira was held at ¼% below the German currency in EMS by the sale of \$100mn.; the closing level was 1044.10. The French, too, saw the need to be aggressive supporters of their franc, which weakened to 4.9482: they sold deutschemarks worth \$130mn. The Irish lost another \$23mn. but the Swedes recovered \$43mn. No specific features affected the Swiss franc - it eased in line with EMS, down to 1.9130 - but the yen suffered from selling out of Zurich following a chartist view that it ought to be moving into the 210-220 range: this thought having fathered the deed, it closed at 210.80.

Gold opened firm and then strengthened on good New York buying interest, probably on the latest Polish news. Fixings were at \$534 and \$539.50. Later \$543 was quoted.

Operations:	Market	+	\$12mn.
	Interest	+	7
	Nepal	-	9
	Ghana	-	8
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		+	\$2mn.
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