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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

An unexceptional day's trading saw the dollar secure further modest gains despite some additional easing in deposit rates. Sterling was dealt in a narrow range and the ERI advanced to 100.2.

The pound touched 2.2275 in New York yesterday before closing there at 2.2370. This morning the dollar opened easier and continued on a softer tack. Sterling began at 2.2427 and touched 2.2455 before the dollar began a recovery, whereupon a narrow trading range was established around the opening level. Late in the day the dollar pushed ahead on a broad front and sterling was quoted down to 2.2395 before closing at 2.2410. Euro-dollars shed around $\frac{3}{8}\%$. Sterling's three-month premium narrowed by $\frac{1}{2}\%$ to $1\frac{1}{8}\%$ p.a. so that the intrinsic premium declined to $\frac{1}{8}\%$.

The pound made modest gains on the Continent, closing at 4.29 $\frac{1}{2}$ in Zurich, 11.09 $\frac{1}{2}$ in Paris and 4.70 $\frac{1}{2}$ in Frankfurt. The dollar improved in these centres to 1.9165, 4.9522 and 2.0980 respectively. EMS finished fully-stretched between the deutschemark and Belgian franc (34.42), with the latter still at 92 on the adjusted index of divergence. Pressure was eased, however, by the freeze on Belgian retail prices and the Belgians sold only \$56mn. of deutschemarks and \$11mn. of sterling. The French spent a further \$105mn. of deutschemarks, the Irish lost \$42mn. and the Danes sold \$29mn. Elsewhere, the Swedes took in \$58mn. The yen closed at 211.95 in Tokyo and 211.85 in London.

Gold gained ground behind declining US interest rates. Fixings were \$516.75 and \$514.25 and the close was around \$519.

Operations:	Market	+	\$14mn.
	Sundries	+	<u>1</u>
		+	<u>\$15mn.</u>

JGH
1st April 1981.

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