

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 8th April 1981

Continuing uncertainty over the immediate course of US interest rates dominated the exchanges today and for most of the session the dollar tended sharply easier, influenced, in addition, by the termination of the Warsaw Pact manoeuvres. Sterling attracted some buying interest this afternoon and the ERI rose from 98.9 to 99.4.

The pound closed at 2.1977 yesterday in New York where the dollar declined rapidly in response to the bullish tone of the debt markets. This morning, sterling opened at 2.1980 - its low for the day - and quickly established a trading range around 2.2025. The morning was quiet. This afternoon Americans sold their currency again. The pound met reasonable demand and touched 2.2160 before finishing the day at 2.2110. Later, however, the dollar reacted for the better in New York and sterling was again quoted below 2.20. Three-month Euro-dollars eased by  $\frac{3}{8}\%$  to  $15\frac{1}{8}\%$ . Sterling's forward premium narrowed substantially to 3  $\frac{1}{16}\%$  p.a. and the intrinsic premium fell slightly to  $\frac{3}{8}\%$ .

The pound was little changed in Zurich (4.26 $\frac{3}{8}$ ) and a touch firmer in Paris (11.05 $\frac{3}{8}$ ) and Frankfurt (4.68 $\frac{3}{8}$ ). The dollar shed over 1%, closing in these centres at 1.9284, 5.0007 and 2.1185 respectively. Later, however, much of the lost ground was regained in New York. EMS narrowed to  $1\frac{1}{8}\%$  between the deutschemark and Belgian franc (34.61) which had a much more comfortable day, improving to 75 on the index of divergence. The French sold \$63mn.-worth of deutschemarks and the Italians clawed back \$50mn. The Irish sold \$26mn. The yen closed at 212.98.

Gold eased further on Polish developments. Fixings were \$508 and \$508.50.

Operations:	Market	+	\$11mn.
	Interest	+	9
	Ghana	-	6
	Sundries	+	<u>1</u>
		+	<u>\$15mn.</u>

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