

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 14th April 1981

Sterling has been boosted by strong commercial demand and this weakened the dollar across the board. The ERI jumped back to 99.3.

Part of the order to buy sterling was executed in New York last night, where the rate closed at 2.1757. In the first hour today in London the pound eased from an opening level of 2.1713 to 2.1680 but then received support from a further instalment of the order, which took the rate to 2.1783 shortly after midday. The closing level was 2.1770 (a rise of $\frac{3}{4}\%$ on the day) but another rally then began in New York. Three months' Eurodollars faded to 16 5/16% but forward margins adjusted and the covered premium in London's favour narrowed to 1/16% p.a.

In Europe the pound also improved, but less strongly (about $\frac{1}{2}\%$): it closed at 4.71 $\frac{1}{4}$ in Germany, 11.12 in France and 4.29 $\frac{3}{4}$ in Switzerland. The dollar eased to 2.1646 against the deutschemark, which continued to lead EMS; it ended the day about 2 3/16% above the Belgian franc (35.48), which remained at 95 on the adjusted divergence index after receiving a mere \$2mn. of support in deutschemarks. The French also sold deutschemarks, worth \$25mn. The Swiss franc closed firmer at 1.9735 and the yen at 215.55. The Swedes bought \$50mn.

With the easier trend in Eurodollar rates gold rallied. Both fixings were at \$483.

Operations:	Market	+ \$8mn.
	India	+ 11
	Interest	+ 5
	Sundries	- 1
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		+ \$23mn.
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