

✓

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 16th April 1981

Continuing tightness in New York money over the revenue date made for a much firmer dollar this morning though best levels were not maintained. Sterling held up better than most and the ERI fell only to 98.8.

The pound closed over a cent cheaper at 2.1500 yesterday in New York where the dollar soared as Federal Funds traded up to 20% (albeit on make-up day). This morning the pound began at 2.1477 and touched 2.1460 as the dollar tried to extend its advance. This was short-lived, however, as profits were quickly taken and the pound traded up to 2.1580 in mid-morning before settling around 2.1550. In a thin market, sterling was quoted at 2.1597 this afternoon before closing shortly after at 2.1515 as the dollar surged again. The RPI had little reaction. Three-month Euro-dollars were $\frac{1}{2}\%$ firmer (16 $\frac{3}{4}\%$). Sterling's forward premium widened to 4 $\frac{5}{16}\%$ so that, with comparable sterling deposits a shade harder, interest parity prevailed.

The pound was unchanged in Zurich (4.28 $\frac{1}{2}\%$) but gained $\frac{1}{4}\%$ in each of Paris (11.10 $\frac{1}{2}\%$) and Frankfurt (4.70 $\frac{1}{2}\%$). The dollar finished in these centres at 1.9920, 5.1625 and 2.1883 respectively. EMS was only 2 $\frac{1}{4}\%$ spread at the close, the Belgian franc (35.83) still the back-market and the deutschemark the front-runner. However the Belgian and German authorities bought \$49mn. and \$4mn.-worth of francs respectively. The French struggled to keep their franc below 2.36 to the deutschemark, shelling out \$30mn. and \$217mn.-worth of deutschemarks. The Italians, too, spent \$100mn. to contain the lira (1089) within $\frac{1}{4}\%$ of the deutschemark. Elsewhere the Swedes netted a further \$73mn. The yen weakened to 217.25.

Gold met short-covering, despite the firmer dollar. Fixings were \$481.50 and \$482.50 and the metal was later traded up to \$486.

Operations:	Market	+	\$16mn.
	Interest	+	9
	EEC	-	6
	Sundries	+	4
			<hr/>
		+	\$23mn.
			<hr/> <hr/>

16th April 1981.

Handwritten signature
JGH