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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 21st April 1981

The dollar failed to benefit over the Easter holiday from further upward pressure on the level of US interest rates, because of bidding for other currencies by the IMM in Chicago both yesterday and today. Sterling was the main beneficiary and the ERI rose to 99.2.

New York takes no Paschal leave and sterling was quoted in the range 2.14½/2.17 during the two days, closing yesterday in a thin market at 2.1670. The dollar recovered a little ground in the Far East today; in London the opening quotation was 2.1607. There was some small selling of sterling this morning and a low of 2.1558 was recorded but early New York buying and later from the IMM boosted the rate to 2.1655 before it ebbed to close at 2.1595. Euro-dollars opened bid but turned offered at the close, when three-months' stood at 16¾%. A covered premium of 3/16% in London's favour re-emerged.

The pound rose to 4.71½ in Germany, 11.15½ in France and 4.30½ in Switzerland. The dollar moved very narrowly today and EMS contracted to 1 15/16% width between the deutschemark (2.1838) and the Belgian franc (35.70); the Germans swapped in DM 3bn. to mop up surplus domestic liquidity. The French sold deutschemarks worth \$74mn. On Good Friday the Italians lost \$50mn. but today they did not need to intervene although at one stage the lira drifted to ½% below the top of EMS: it closed at 1087.90. The Swiss franc ended near to its Maundy Thursday level, at 1.9915; the yen was a touch lower at 218.19.

Gold traded steadily and quietly. Both fixings were at \$481. Later it rose above \$485.

Operations:	IDA	+	\$31mn.
	India	+	22
	Egypt	+	8
	Iran	+	5
	FRB	-	10
	(o/a Mauritius)		
	Sundries	-	9
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		+	\$47mn.
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