

FOREIGN EXCHANGE AND GOLD MARKETSWeek ending 22nd April 1981.

The Easter holidays made for a fairly quiet week in the markets. The continued growth in the economy kept US interest rates firm and the dollar closed little changed in most centres. Sterling encountered persistent US demand, particularly from the IMM, and the ERI rose 0.8 to 99.7.

Sterling fell by over a cent in New York on Wednesday night to close at 2.15 as the Fed Funds rate rose briefly to 20%. After opening in London on Thursday at 2.1477, the rate dipped to 2.1460, as the dollar attempted to move further ahead, but it recovered quickly and settled to trade around the 2.15½ level for most of the remainder of the day. Over the Easter holiday sterling met some demand from the United States, where markets remained open, and the rate ranged between 2.14½-2.17, closing in New York on Bank Holiday Monday at 2.1670. Further US demand, particularly from the IMM in Chicago, kept sterling firm on Tuesday and it closed at 2.1595 that night against a stronger dollar. On Wednesday, sizeable commercial and professional buying from the United States helped sterling to move up sharply against an easier dollar to touch 2.1817 before ending the period comfortably at 2.18, 1½ cents higher over the week. The pound was firm on the Continent as well gaining ¼% in Germany to 4.73½, 1½% in France to 11.20¼ and ½% in Switzerland to 4.30¾. Against the ECU sterling's premium over its notional central rate rose to 1%. There was little change in three-month Euro-dollar rates, which closed at 16¼% but sterling's forward premium narrowed to 3¾% and interest parity prevailed.

The continuing strength of the US economy was demonstrated again by all the economic indicators published during the week. US interest rates accordingly remained very firm and the dollar, after initially moving to higher levels in Europe, ended the week almost unchanged at 2.17 in Germany. There was again little pressure in the EMS where the Belgian franc (35.47) closed 1 15/16% below the deutschemark after sales of deutschemark worth \$50mn. The French franc (5.1407) weakened as progress in the election campaign sparked off capital outflows to Switzerland; it slipped to ½% below the mark despite sales of marks worth \$700mn. and \$60mn. The lira (1083.05) also closed ½% below the mark after sales of \$150mn. The Dutch sold \$35mn. and the Irish \$50mn. Elsewhere the Swiss franc (1.9757) improved to 0.91 against the mark but the yen eased ½% to 217.46. The Swedes continued to rebuild their reserves taking in \$80mn. and the Canadians bought \$50mn. net.

Gold was a quiet market for most of week but both activity and the price recovered on Wednesday. The first fixing was at \$481.50 and the price remained around this level until Wednesday when, against the background of a rather weaker dollar, some sizeable short-covering was seen. The price rose sharply to fix at \$501 in the afternoon, \$25 higher over the week.

22nd April 1981.

TRS

RATES, ETC.

<u>10.15 a.m.</u>		<u>10.15 a.m.</u>
<u>16th April</u>		<u>23rd April</u>
<u>2.1565</u>	£/\$	<u>2.1843</u>
<u>99.0</u>	Effective exchange rate index	<u>99.8</u>
<u>4$\frac{3}{8}$% pre.</u>	Forward 3-months	<u>3 15/16% pre.</u>
<u>16$\frac{3}{8}$%</u>	Euro-\$ 3-months	<u>16$\frac{1}{4}$%</u>
<u>-</u>	I.B. Comparison	<u>$\frac{1}{8}$% pre.</u>
<u>2.1850</u>	\$/DM	<u>2.1702</u>
<u>4.71$\frac{1}{2}$</u>	£/DM	<u>4.74</u>
<u>11.13</u>	£/FF	<u>11.22$\frac{1}{2}$</u>
<u>217.00</u>	\$/Yen	<u>215.57</u>
<u>\$478</u>	Gold	<u>\$492</u>
<u>1.9890</u>	\$/S.Fc.	<u>1.9774</u>
<u>4.28$\frac{2}{3}$</u>	£/S.Fc.	<u>4.31$\frac{1}{2}$</u>