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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 23rd April 1981

A quieter day than of late and one without much feature. A good CPI result in the USA (+0.6%) raised the possibility of easier money and the dollar edged lower. Initial demand for sterling quickly evaporated and the ERI was nudged down to 99.6.

Kaufman's reiteration of his views on the probability that prime rates would exceed 21% this year came in time to help the dollar resist yesterday's late pressures: sterling closed in New York at 2.1815, having touched 2.1955. This morning, the pound opened at 2.1830 and had risen 15 points by mid-morning on the back of a speculative buying order. It then eased in a dull market to 2.1775 before rallying, as the dollar began to decline generally, to 2.1855 just ahead of the close, which was 2.1835. Forward margins and interest rates were steady and the covered comparison remained at parity.

On the Continent the pound had a mixed day, falling to 4.72% in Germany and 11.20% in France but edging up to 4.30% in Switzerland. The dollar lost $\frac{1}{4}$ % to EMS, which narrowed to 1 13/16% between the punt (1.6830) and the deutschemark (2.1644). The Irish sold \$29mn. The Belgian franc moved off the bottom, improving to 35.33. The French franc slipped another notch away from the top, in spite of sales of deutschemarks equivalent to \$132mn.: it closed at 5.1320. The Italians sold \$100mn., the lira strengthening to 1080%. The Swiss franc was little changed at 1.9737 but the yen benefited in Tokyo this morning from surrenders of export proceeds. It closed there at 215.80 and later improved further in London to 214.55.

Gold moved lower in New York on Kaufman's speech and held to the new levels in London. Fixings took place at \$490.50 and \$488.50.

Operations:	Sierra Leone	+	\$10mn.
	Iran	+	5
	Government	-	9
	Sundries	+	5
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		+	\$11mn.
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23rd April 1981. *DAHB*

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