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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 27th April 1981

A dull day in which the dollar lost ground, following the welcome reductions in the monetary aggregates, then regained most of its losses. Sterling met modest demand this afternoon but the ERI fell to 98.9, due largely to an inexplicable firming in the yen.

The pound closed at 2.1590 in New York on Friday but opened at 2.1695 this morning in the face of the weaker dollar. After business at 2.1730, sterling settled back into a trading range around 2.17 which persisted into the afternoon. The dollar was modestly better bid from the USA this afternoon and sterling retreated to 2.1630 - despite some buying on the IMM - before closing at 2.1655. Euro-dollars opened around  $\frac{1}{2}\%$  easier but regained their losses. The three-months' forward premium was 3 15/16% p.a. and this left an intrinsic discount of 1/16%.

The pound was fractionally easier against each of the Swiss franc (4.30 $\frac{1}{2}$ ), French franc (11.18 $\frac{1}{2}$ ) and deutschemark (4.71 $\frac{1}{2}$ ). The dollar was fractionally firmer against each at 1.9885, 5.1655 and 2.1787 respectively. The Bundesbank took out a further DM 3.2bn. of liquidity in short-dated swaps. EMS was only 1 $\frac{1}{2}\%$  wide between the deutschemark and Belgian franc (35.47). Elsewhere, however, the Irish sold \$13mn., the Danes \$32mn., the Dutch \$40mn. and the Italians \$60mn. The French spent \$71mn. and \$156mn.-worth of deutschemarks. The yen soared to 211.60 in Tokyo - perhaps in advance of a long holiday there - drawing purchases of \$34mn. from the Bank of Japan. In London it finished at 211.97.

After a quiet morning, in which the price was fixed at \$488.75, gold fell back before the strengthening dollar this afternoon. The later fix was \$483.

Operations:	India	+	\$22mn.
	Interest	+	9
	Zimbabwe	+	5
	Sundries	-	1
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		+	\$35mn.
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*JGH* 27th April 1981.

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