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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 28th April 1981

A further firming in Federal Funds kept the dollar generally well wanted and it gained around $\frac{1}{2}\%$ across the board. Sterling held up this morning before a clutch of commercial buyers but retreated this afternoon once New York returned. The ERI fell to 98.7.

The pound closed a cent cheaper at 2.1560 in New York yesterday; the dollar was generally firmer and the Chicago IMM were sellers of sterling. This morning business began in London at 2.1580 and continued close to that level throughout the morning, with the rate touching 2.1582 at one stage as several commercial concerns appeared to take up pounds. This afternoon, with Federal Funds very firm in New York, the dollar advanced again and sterling retreated on little volume to 2.1516 before closing at 2.1534. Eurodollars gained around $\frac{1}{2}\%$, although the three months' deposit was only $\frac{1}{8}\%$ firmer at 16 $\frac{3}{8}\%$. Sterling's forward premium widened to 4 $\frac{1}{2}\%$ p.a., leaving a covered differential of 1/16% in favour of London.

The pound was unchanged in Germany (4.71 $\frac{1}{2}$) but lost $\frac{1}{4}\%$ in France (11.16 $\frac{1}{2}$) and $\frac{1}{8}\%$ in Switzerland (4.29 $\frac{1}{2}$). The dollar improved in these countries to 2.1910, 5.1830 and 1.9927 respectively. EMS remained 1 $\frac{1}{4}\%$ spread between the deutschemark and Belgian franc (35.67). The French spent \$28mn. and deutschemarks worth \$32mn., while the Dutch sold \$23mn. of deutschemarks and \$46mn. The Danes gave \$21mn. in support of their krone. The yen reacted to 213.31.

Gold was quiet and steady this morning and was fixed at \$484.25. This afternoon it yielded a little ground and an active fixing set a level of \$482.75.

Operations:	Electricity Council	+	¹⁰⁰ \$150mn.
	(PSB Guaranteed)		
	Interest	+	19
	India	+	11
	Public Sector Interest	-	6
	Government	-	5
	Sundries	-	3
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		+	<u>\$116mn.</u>

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