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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 30th April 1981

The recent upsurge in the dollar continued into this afternoon when Continental Europeans took precautionary profits before departing for the May Day holiday. Sterling was again a fairly active market and finished the day little changed. The ERI was again 98.9 at the close.

The pound was 2.1485 at twilight in New York where the dollar closed below its best. This morning, however, the dollar was again sharply firmer and sterling opened at 2.1395. Volume was modest this morning with a few sellers appearing as the rate dipped to 2.1343 amid the dollar's final onslaught but opening levels were regained by mid-day. The afternoon was more active for sterling which was traded up to 2.1475, despite the presence of some commercial sellers, before closing at 2.1450. Euro-dollars were mixed, the three-months' a touch softer. Sterling's three-month forward premium narrowed slightly to 4 5/16% p.a. and the covered differential was 3/8% against London.

The pound was unchanged in France (11.23 1/2) and Germany (4.73 1/2), fractionally firmer in Switzerland (4.32 3/4). The dollar closed little different in these countries at 5.2362, 2.2071 and 2.0162 respectively, although at times it was quoted up to 2.0262 in Switzerland and 2.2180 in Germany. The French franc traded down to 5.26, another ten-year low. The Swiss swapped in \$590mn. to provide end-month liquidity, thereby contributing again to their franc's relative weakness. EMS was 1 3/8% spread between the deutschemark and Belgian franc (35.96), although both the Irish punt and Danish krone closed within an ace of the bottom of the pack. The Bundesbank sold \$6mn., the Irish \$16mn. and the Danes \$63mn. The French spent \$26mn. of deutschemarks and \$306mn., holding their franc at 2.3725 to the deutschemark. The Belgians, however, were buyers of \$6mn., \$29mn.-worth of deutschemarks and \$44mn. of French francs, although this package arose from a loan conversion which would otherwise have unduly disturbed a thin pre-holiday market. The yen weakened to 215.55.

Gold enjoyed another steady session and regained a little ground overall. Fixings were \$481 and \$482.75.

Operations:	Market	+	\$6mn.
	Interest	+	14
	Iran	+	5
	Sundries	+	3
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		+	\$28mn.
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The result for April is a decrease in reserves of \$146mn. to a level of \$28,066mn. after a repurchase under the IMF oil facility of \$77mn. and public sector debt repayments of \$272mn. (net). The renewal of the ECU swap with the EMCF led to an increase of \$229mn. in spot reserves and more than accounted for a reduction of \$156mn. in the overbought forward position to a level of \$2,022mn.

*JGH* 30th April 1981.

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