

CAPE
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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 12th February 1982

For most of the day the dollar advanced on a broad front. There was evidence of selling of yen in the Far East and then of deutschemarks in Europe, presumably as some operators fought shy of running up short dollar positions over the two days when the American exchange and bond markets are closed. In mid-afternoon there was a sharp turnabout although the dollar closed with net gains. Sterling moved ahead against other currencies and the ERI this evening is unchanged at 91.6.

The dollar was edging ahead in New York last night, taking the pound down to 1.8450. This morning sterling opened at 1.8432 and then responded in direction - though not to the same degree - to the dollar's performance elsewhere, ranging between 1.8467 in the opening period to 1.8325 this afternoon. By the close of a day in which little trading in sterling was reported, the rate had recovered to 1.8415. Euro-dollars hardened by $\frac{1}{8}\%$ to $16\frac{7}{16}\%$ whilst interbank sterling was steady around $14\frac{5}{8}\%$. Forward margins widened further to leave the small intrinsic premium for sterling.

In Paris the pound rose to $11.12\frac{3}{4}$, in Switzerland to $3.52\frac{9}{16}$ and in Germany to $4.38\frac{3}{4}$. The dollar, after a slight dip at the start, moved steadily against the deutschemark and rose from 2.3757 to 2.39 but fell away to close at 2.3827. EMS stretched out a little beyond $1\frac{7}{8}\%$ in width, spanned by the lira ($1269\frac{1}{2}$) and the Belgian franc (40.58), which received \$68mn. of support (almost wholly in dollars). The French franc closed at $6.04\frac{1}{2}$, the Bank of France having bought deutschemarks equivalent to \$148mn. The Swiss franc eased to 1.9145. In Tokyo this morning the Japanese sold \$40mn., the yen closing at 237.55. In London it weakened to 239 at the height of the dollar's performance and closed one yen lower.

Gold eased to \$376.25 in New York during yesterday. It gained a little ground in the Far East today and then fixed in London at \$379. But the easier tone came back later, the second session producing a price of \$377.50.

Operations:	Market	+	\$5mn.
	Sundries	+	4
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		+	\$9mn.
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Jem 12th February 1982.
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