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SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 15th February 1982

Washington's birthday passed quietly on the exchanges without a direct American presence. The shadow of the latest unexpected increase in the US money supply, however, cast a pall over the day's proceedings. Euro-dollars opened up to ½% firmer; the dollar was marked up by almost 1%, although thereafter it tended easier. Sterling was modestly traded. The ERI fell from 91.6 to 91.4 at mid-day but recovered to finish at 91.7.

The pound opened 1¼ cents cheaper at 1.8285 this morning, as the dollar was marked sharply firmer in the wake of Friday's money supply. Sterling drifted to 1.8260 as the dollar strengthened further, despite a commercial buyer of pounds but recovered later to around 1.83 again as the dollar eased back from its best. The pound relapsed again around mid-day, in the face of a further softening in the dollar, but recovered smartly towards the close - struck at the day's best level of 1.8325 - and went on to settle around 1.8350. Sterling's three-month forward premium was 2¼% p.a., reflecting a hardening of ½% in the sterling deposit (14¼%) and 7/16% in the Euro-dollar (16¼%). A modest intrinsic premium remained.

The pound was firmer by ¼% in France (11.14¼) and Germany (4.39¼) but lower by ¼% in Switzerland (3.51¼). The dollar hardened in these places to 6.0800 (after 6.1002), 2.3970 (after 2.4075) and 1.9187 (after 1.9302). EMS was 1 13/16% spread between the lira (1279) and Belgian franc (40.82). The French bought \$30mn.-worth of deutschmarks (while swapping out \$150mn.) and the Belgians sold \$4mn.-worth of guilders. The Irish spent \$5mn. and sterling worth \$12mn. Elsewhere the Swedes lost \$25mn. and the Norwegians gained \$25mn. (forward). The Japanese sold \$209mn. in Tokyo, where the yen closed at 241.10. In London it touched 241.62 before closing at 240.87.

Gold was depressed, though not unduly so, by the dollar's strength. Fixings were \$375.55 and \$375.25 and the later session, despite the absence of Americans, was fairly active.

Operations:	Market	+	\$4mn.
	Interest	+	10
	IDA	+	10
	Sundries	+	1
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		+	\$25mn.
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