

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSWednesday, 5th March 1980

The exchanges paused for breath today and profits were taken in the dollar. Sterling was generally comfortable and met some fair demand this afternoon. The ERI rose from 71.7 to 72.3.

The pound closed much better at 2.2395 in New York yesterday. This morning it opened at 2.2445 and with the early exchanges quite active, dipped to 2.2405 before the opening level was re-established. As the dollar eased, sterling pushed ahead to 2.2472 but selling from the Middle East started a gradual drift and when German professional offerings were added later in the morning, the pound fell uncertainly to 2.2345. New York, however, returned early and tended to take profit in the dollar. Sterling met good demand from Switzerland at this stage and recovered smartly, touching 2.2468 late in the day before closing at 2.2445. Forward margins narrowed as sterling deposits eased. Three months' cover cost $1\frac{1}{2}\%$ p.a. and the adverse covered differential rose to 15/16%.

The pound regained $\frac{1}{2}\%$ in France (9.39%) and Germany (4.00%) but only $\frac{1}{2}\%$ in Switzerland (3.83%). The Swiss franc recovered to 1.7079 (and 0.95% to the mark). The Swiss sold \$30 mn. late yesterday and \$65 mn. today. The deutschemark was 1.7859. The Federal Reserve yesterday bought \$20 mn. of marks and the Bundesbank today spent \$340 mn. The EMS narrowed as the lira weakened and the Dutch florin (1.9623) took over the lead, 1 13/16% above the Belgian franc (28.99). The Belgians varied their tactics by selling \$67 mn. and \$25 mn. of deutschemarks. The Japanese sold only \$6 mn. in New York yesterday (while the Federal Reserve bought \$4 mn. of yen for their own account) but spent a further \$122 mn. in Tokyo this morning. The yen closed there at 247.75 and firmed to 246.95 in London.

Gold remained fairly firm ahead of the IMF auction. Fixings were \$641.75 and \$643.50.

Operations:	Market	+ \$20 mn.
	Malta	+ 5
	Bangladesh	- 11
	Sundries	+ 4
		<u>+ \$18 mn.</u>
	Overnight	<u>- \$7 mn.</u>

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JGH