

THE DEPUTY GOVERNOR



FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 7th March 1980

Interest rates continued the prime feature on the exchanges today and the dollar remained very firm. Sterling generally mirrored the dollar's movements and was a little easier on the day. The ERI fell to 71.9.

The pound closed better at 2.2325 yesterday in New York where the dollar was somewhat below its best levels. This morning it opened at 2.2273 and traded narrowly through much of the morning, easing slightly around midday as the dollar recovered. This afternoon Americans sold sterling and the pound dipped below 2.22. The trend gained momentum as major US banks raised their Prime Rate. Sterling touched 2.2160 before closing at 2.2225. Forward margins moved to a premium for all periods out to six months. The three months' was 3/16% p.a. and the intrinsic discount 11/16%.

The pound lost a little ground in France (9.34%), Germany (3.99%) and Switzerland (3.81%). The Bundesbank sold \$243 mn., the deutschemark closing at 1.7980 (after 1.8015). The Swiss sold \$100 mn. and their franc was 1.7177 (after 1.7222). The French franc (4.2045) joined the guilder (1.9730) at the head of the EMS, 2 1/16% above the Belgian franc (29.22). The Belgians sold \$25 mn., \$38 mn. of guilders, \$24 mn. of French francs and \$7 mn. of lire. In New York yesterday the Japanese spent \$98 mn. while the Federal Reserve sold \$50 mn. against yen for their own account. This morning in Tokyo the yen eased to 248.70, after Japanese sales of \$546 mn. In London the yen recovered to 248.22.

Gold was weaker on Iranian and interest rate developments. Fixings were \$602.25 and \$609. Once again, however, the \$600 level brought out good support.

Operations:	Market	-	\$17 mn.
	Nigeria	+	100
	British Air	+	30
	(PSB G'teed)		
	Interest	+	9
	IDA	+	8
	New Zealand	-	7
	Sundries	-	2
			<hr/>
			<u>+ \$121 mn.</u>

7th March 1980
JGH