

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 21st March 1980

The dollar was quietly firmer as interest rates hardened again. Sterling fell 0.3 to 72.0 in effective terms.

Like other currencies, sterling weakened against the dollar in New York, closing at 2.1909. Further selling in the Far East brought a first price of 2.1840 in London, and the trend continued down for a while, sterling touching 2.1790 in early trading. At least one oil company then appeared as a buyer to carry the rate up to 2.1853 at noon, and the pound rose further, to 2.1916 around New York's opening, before drifting back in quiet Friday trading to 2.1810 before the close was taken at 2.1815. Euro-dollars went higher today, to 19% at 3 months; forward sterling closed at a premium of 15/16%, leaving the adverse covered differential at $\frac{1}{8}$ %.

Sterling was mixed on the Continent, closing slightly weaker in Germany (4.09 $\frac{1}{4}$) and France (9.52 $\frac{1}{4}$) but rather stronger against the Swiss franc (3.87 $\frac{1}{4}$). Higher interest rates gave the dollar a generally better appearance today. The main Continental currencies were all easier. The mark (1.8766) received \$10 mn. of support. The French franc (4.3680) again headed the EMS, 2 1/16% above the Belgian franc (30.34, and only 64 divergent). The French bought \$10 mn. and \$37 mn. worth of marks. The Danish crown (5.8722) was supported with \$39 mn.; but the other EMS currencies traded quietly enough. So did the Swiss franc (1.7777). The yen closed at 249.15 in Tokyo (after sales of \$20 mn.) and later at 248.80 in London.

Gold fell back, fixing at \$535 and \$525.

Operations: Market \$5 mn.

John
21st March 1980
PAB