

THE DEPUTY GOVERNOR *CR*FOREIGN EXCHANGE AND GOLD MARKETS20th-25th March inclusive

Sterling was quietly firm. Oil company buying, some Middle Eastern interest and, on Tuesday, buying ahead of the Budget, enabled sterling to keep pace with a dollar which was tending to gain elsewhere, if unevenly. The DM softened 1.2% to 1.8945 (after 1.8985 - the weakest since last June). The Bundesbank gave it \$212mn. of support; the Fed and the Bank of France bought \$120mn.-worth of marks in addition. The French and Belgian francs remained at the limits of the EMS, 1 15/16% apart, but a more even spread of other currencies across the parity grid pulled the Belgian divergence down to 54 and the Belgians did not intervene. Support elsewhere was quite modest except for the Canadian dollar. The yen was steady.

Euro-dollars fell back on Thursday but subsequently rose to 19 3/16% this afternoon, after allowance for technical factors. The premium on forward sterling eased to 13/16%, and sterling closed at an intrinsic discount of 1/4%.

Gold was rather volatile, on balance rising \$20 1/4 to \$547 1/4 (after £561 on Thursday).

Table 1 shows main exchange rates and Table 2, EEA figures and main items of intervention elsewhere.

25th March 1980.

P.A.B.

*B.*

SECRET

Table 1

Exchange rates

	<u>dollar rates</u>		<u>sterling rates</u>	
	19. 3.80	25. 3.80	19. 3.80	25. 3.80
sterling	2.1910	2.1934	-	-
DM	1.8724	1.8945	4.1024	4.1554
SF	1.7707	1.7915	3.8796	3.9295
FF	4.3692	4.3987	9.5729	9.6481
yen	248.45	249.05	543.92	546.24
			ERI 72.2	72.7

Table 2

EEA transactions and intervention elsewhere 20th-25th March

1. <u>EEA transactions</u>		\$mns.
market	+ 50	
customers	+ 39	
(of which: BIS	+ 55	
IDA	+ 27	
India	+ 11	
Bangladesh	- 33)	

At the close today, March reserves show an increase of 203. Public sector repayments (net of new borrowing) amount to 53. Thus the perceived underlying increase would be 256. 25 has been added to the forward book.

2. <u>Intervention elsewhere</u> (main items)		\$mns.
Germany	- 212	
(in addition, the Fed have bought 20-worth of marks and the French 100-worth)		
Canada	- 223	
Japan	- 88	

440.07

~~PAB~~

21. 3.80

25.3-80

MR. BYATT

I would be grateful if you would arrange for a short, on-return brief to be prepared (by close of business on Tuesday, 25th March) for the Deputy Governor on developments in the foreign exchange markets for the period of 20th-25th March, inclusive.

Governors' Office,  
21st March 1980.

Dictated, but not  
signed by:-

P.W.F. Ironmonger (4122)

DAH 24/3

The premium on forward sterling eased to 15/10%, and sterling closed