

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 26th March 1980

Sterling was generally firm for much of the day on expectations of a sound budget. The dollar, however, opened softer following the results of yesterday's primaries, but recovered some of the lost ground over the day. Sterling's ERI rose to 72.9.

The pound closed at 2.1930 in New York yesterday. This morning, however, the dollar began sharply lower and sterling opened at 2.2025, running up to 2.2056 on the early exchanges following some keen demand in the Far East. Sterling turned back as the dollar began to pick up and met some sizeable selling from Middle Eastern professionals. The pound fell back to 2.1991, recovered once the selling evaporated, but eased again this afternoon to 2.1975. The pound stood at 2.2005 as the Chancellor began his budget speech and improved thereafter to 2.2040 before closing at 2.2020. Later, the budget generated business up to 2.2048 but profit-taking then set in and, with the Chicago IMM a steady seller, sterling fell sharply to 2.1895. The three months' forward premium widened slightly to $\frac{3}{8}$ p.a.; the adverse covered differential was 5/16%.

The pound gained $\frac{1}{8}$ % in Paris (9.66 $\frac{1}{2}$) and $\frac{1}{8}$ % in both Zurich (3.94 $\frac{1}{2}$) and Frankfurt (4.16 $\frac{1}{2}$). The Swiss franc closed unchanged at 1.7913, the Swiss swapping in \$182mn. Otherwise, however, the dollar finished softer. The deutschemark was 1.8911 and the French franc 4.3882. Yesterday the Federal Reserve sold \$35 mn. for deutschemarks but the Bundesbank today did nothing. The French bought \$28 mn., \$22 mn. of Swiss francs and \$24 mn. of deutschemarks. They also swapped out \$30 mn. The Danish krone (5.9102) replaced the Belgian franc (30.45) at the foot of the EMS. Both were 1 15/16% adrift of the French franc. The yen firmed to 249.10 in Tokyo and to 248.65 in London.

Gold weakened throughout the day. Fixings were \$525 and \$507.50 and later the \$500 level was tested and successfully resisted.

Operations:	Market	+ \$13 mn.
	India	+ 22
	Interest	+ 12
	British Airways (PSB G'teed)	+ 8
	Mauritius	+ 5
	Government	- 6
	Sundries	+ 3
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		+ \$57 mn.
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	Overnight	- \$50 mn.
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