

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSFriday, 28th March 1980

After pausing to digest a record US trade deficit, the dollar surged ahead today to new recent heights, drawing substantial support for their currencies from the major Central Banks. Sterling was once again on the sidelines. The ERI rose to 72.8 this morning but came back to close at 72.6.

The pound was again sold down in the United States yesterday, touching 2.1612 at one stage but recovering strongly to close in New York at 2.1760. This morning sterling began at 2.1747 and firmed on the early exchanges as the dollar eased in response to the February trade deficit. The pound touched 2.1845 before settling around 2.18. The dollar's recovery began in Paris, where French francs were heavily offered by American banks. Sterling retreated in sympathy but volume was not significant until mid-afternoon when Middle Eastern professionals sold pounds. The rate fell to 2.1660 at worst but the dollar turned on profit-taking and sterling recovered to close at 2.1750. The three months' forward premium was 1% p.a. and the intrinsic discount was 5/16%.

The pound gained $\frac{1}{8}\%$ in Paris (9.65%) and $\frac{1}{8}\%$ in Frankfurt (4.19) but lost $\frac{1}{8}\%$ in Zurich (3.96%). Yesterday the Federal Reserve sold \$168 mn. for deutschemarks, \$61 mn. for Swiss francs and \$30 mn. for yen. The Swiss today sold \$105 mn. and a further \$290 mn. outright forward. Languetin's expressed desire for a deutschemark cross-rate of 94 had some effect: the Swiss franc firmed from 0.95 3/16 to 0.94%. Against the dollar, too, it strengthened to 1.8225. The deutschemark, however, weakened to 1.9265 (after 1.9352). The Bundesbank sold \$210 mn. and \$9 mn. of French francs. The EMS was fully-stretched at the close between the French franc (4.4410) and Belgian franc (30.94). The French took in \$21 mn. of marks and \$7 mn. of Swiss francs. The Belgians sold \$44 mn. of French francs and the Danes sold \$8 mn. of French francs. In New York yesterday, the Japanese sold \$113 mn. and in Tokyo this morning a further \$341 mn. were spent. The yen closed there at 249.80 and in London at 249.42.

Gold opened weaker following the panic in silver but soon recovered to yesterday's levels. Both fixings set a level of \$490.

Operations:	Market	-	\$2 mn.
	Bangladesh	-	9
	Chana	-	9
	IDA	+	10
	Interest	+	10
	Government	+	8
	Sundries	+	4
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		+	\$12 mn.
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