

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETSThursday, 3rd April 1980

Sterling was a thin and quiet market in front of the long weekend. Yesterday's squaring of dollar positions, however, proved to have been overdone and the dollar came into demand at times, especially from New York this afternoon. The pound was marked down in consequence and the ERI fell from 72.7 to 72.3.

The pound closed a cent lower at 2.1472 in New York yesterday with the dollar generally much firmer. This morning sterling began at 2.1480, touched 2.1505 on the early exchanges, then settled back to trade quietly around opening levels. 2.1515 was later paid for pounds but a small Continental offering saw sterling back to 2.1470 by noon. New York bid for dollars this afternoon and sterling was sold on a very modest scale. Thereafter, the rate drifted back to 2.1360 before recovering to close at 2.1397. Eurodollar deposits were a little firmer and sterling deposits a shade softer. Sterling's three-month forward premium, however, was unchanged at 1½ p.a. and the covered differential thus moved to 1/16% against London.

The pound lost a little more ground against the Swiss franc (3.98½), French franc (9.67½) and deutschemark (4.20). These all finished a good deal weaker against the dollar at 1.8615, 4.52 and 1.9627 respectively. Only the Swiss sold dollars in size, losing \$138 mn. and \$55 mn. outright forward in an attempt to shore up the cross-rate with the mark, which improved fractionally to 0.94%. The EMS was 2 3/16% in width at the close between the French franc and deutschemark. The Bundesbank sold \$6 mn. of French francs but the Belgians spent \$65 mn. in French francs. The Bank of France bought Belgian francs worth \$12 mn. and deutschemarks equivalent to \$19 mn., swapping out \$25 mn. also. The yen closed without support at 257.60 in Tokyo and 256.92 in London.

Following a disappointing IMF auction, which was less than twice covered and set an average price of \$484.01, Hong Kong took gold down to \$473. London saw some recovery and the price was fixed this morning at \$491.25. With the dollar firmer this afternoon, the metal backed off again. The fixing set a level of \$485.75 and trading went on down to \$479 before a recovery to \$483. Silver was steady.

Operations:	Market	- \$6 mn.
	Ghana	- 14
	Interest	+ 12
	India	+ 11
	Sundries	+ 4
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		+ \$7 mn.
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	Overnight and Weekend	- \$19 mn.
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