

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 10th April 1980

Although marked down early on, the dollar attracted buyers later in the day and closed around last night's levels. Central bank intervention was negligible. There was good two-way business in sterling, which went 0.3 higher to 72.4 in effective terms.

Sterling rose against a weaker dollar in New York, closing there at 2.1835. The first price in London this morning was over a cent higher - 2.1945 - and the market looked set for a replay of yesterday. The next move was down, however, and it was not until good demand on oil company account developed in mid-morning that sterling topped the opening level, touching 2.1965. A general decline in the dollar in the latter part of the morning partly cloaked some Arab selling of sterling, probably against Swiss francs to realise profit on a position taken up earlier, and the pound stayed around 2.19½ for a while before drifting back to 2.1890 at noon. The afternoon brought demand for sterling from elsewhere in the Middle East and, although the pound traded down to 2.1755, it did not feel the full draught of the dollar's resurgence, closing comfortably enough at 2.1845. The banking figures may have been a factor. Euro-dollars eased to 19%, the premium on forward sterling hardened to 1 3/16%, and last night's small intrinsic discount was eliminated.

The pound opened lower on the Continent - for example, at DM.4.09½ - but later gained as the dollar improved, closing at 4.13½ against the mark and at 3.89½ and 9.56½ against Swiss and French francs respectively. The dollar began the day well down, at 1.8605 in Germany and 4.30½ in Paris (the Fed having bought \$270 mn. against marks and \$24 mn. against French francs yesterday); some Middle Easterners sold dollars for Continental currencies, but there was no follow-through, and the dollar improved sharply when North American buyers entered the fray. The mark closed at 1.8945 (after 1.90), little changed from last night. The Bundesbank Council announced no monetary measures. The French franc weakened to 4.3763, a full 2¼% above the Belgian franc (30.51). The lira improved to 877; the remaining EMS currencies gave ground to the dollar. The Irish sold \$6 mn.; otherwise there was no intervention. The Swiss franc showed its paces in the late morning, when it was bought against marks as well as sterling, but it closed only slightly better on the day at 1.7825. The yen improved to 249.80 in Tokyo without support, easing back to 251.42 in London.

Gold drifted off, fixing at \$539½ and \$526.

Operations:	Market	+ \$18 mn.
	Iraq	+ 66
	India	+ 22
	Interest	+ 8
	Government	- 19
	Sundries	- 1
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		+ \$94 mn.
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Overnight + \$4 mn.