

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 11th April 1980

Markets took a breather today. The Continental currencies were rather volatile against the dollar, closing stronger, but business was quiet. Sterling rose 0.2 in effective terms to 72.6.

Sterling rose to 2.20 in New York, where the dollar failed to hold its gains from earlier in the day. The first rate in London this morning was 2.1925, and for once sterling passed a quiet and steady morning, touching 2.1990 early on before easing back to 2.1925 at noon. A London bank had no difficulty in executing a large selling order. Although the rate dropped to 2.1895 in a thin market around lunchtime, the pound quickly steadied and spent an uneventful afternoon around 2.1950, closing at 2.1960. The new repurchase agreement had no apparent effect on the exchanges. Both euro-dollars and interbank sterling fell; although the premium on forward sterling inched up to 1 5/16%, sterling returned to a small intrinsic discount of 1/16%.

The pound lost yesterday's modest gains on the Continent, closing at 4.13½, 3.84½ and 9.55½ against the mark, Swiss and French francs respectively. The Fed had sold a total of \$444 mn.-worth of these currencies in New York yesterday. Today they traded unevenly against the dollar, improving on balance to 1.8820 (after 1.8595 this morning), 1.75 and 4.35. The Germans bought \$25 mn. and the French, \$2 mn.-worth of Belgian francs; the Swiss contented themselves with buying \$150 mn. on the swap. Although the EMS was fully stretched between their franc (30.30) and the French, the Belgians sold only \$6 mn.-worth of French currency. With the other participants evenly spread across the band, the two francs were equally divergent at 59. The Irish pound (1.9845) was supported with a sale of £17 mn.; the other EMS currencies traded without feature. The yen closed at 252.50 in Tokyo and then at 253.75 in London.

Gold also spent a quiet day, fixing at \$532 and \$530½.

Operations:	Market	+ \$11 mn.
	British Airways	
	(PSB G'teed)	+ 123
	BIS	+ 13
	Interest	+ 11
	Government	- 18
	Ghana	- 7
	Sundries	+ 4
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		+ \$137 mn.
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	Overnight	+ \$33 mn.
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