

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 29th April 1980

No definite trends emerged on the exchanges today and markets moved in response to the moment's supply and demand. The dollar staged some recovery, despite a further modest decline in interest rates; sterling met profit-taking and closed generally easier. The ERI fell from 73.7 to 73.2.

The pound closed at 2.2855 in New York yesterday and opened this morning at 2.2872. The dollar tended easier at first but sterling, after touching 2.2910, ran into profit-taking from Middle East professionals and tumbled quickly to 2.2795 before steadying a little above 2.28. This afternoon, the dollar improved on official portfolio buying. Sterling retreated slowly until late in the day when selling from the United States in a thin market drove the rate to 2.2705 before the close was struck at 2.2735. Forward margins widened substantially again in response to a further fall in deposit rates. The cost of three months' forward cover rose to 2 $\frac{3}{4}$ % p.a. and the covered differential was 3/16% in London's favour.

The pound lost $\frac{3}{8}$ % in Paris (9.55 $\frac{1}{2}$) and $\frac{3}{8}$ % in each of Zurich (3.79 $\frac{3}{8}$) and Frankfurt (4.08 $\frac{3}{8}$). The Swiss franc closed unchanged at 1.67 after the Swiss had bought \$25 mn. The Bundesbank took in \$50 mn. and the deutschemark, too, finished little changed at 1.7973. Yesterday the Federal Reserve bought \$43 mn. against marks. The EMS narrowed to 1 $\frac{1}{2}$ % between the French franc (4.2020) and lira (845 $\frac{1}{2}$). The guilder continued to slide down the band and the Dutch spent \$26 mn. and marks equivalent to \$72 mn. The Irish sold \$8 mn. Tokyo markets were closed for the Emperor's birthday. In London, the yen firmed to 238.82.

Gold opened easier, firmed early this morning and moved ahead again later this afternoon. Fixings were \$513 and \$513.75.

Operations:	Market	- \$1 mn.
	IDA	+ 11
	Interest	+ 9
	Sierra Leone	+ 8
	Iraq	+ 7
	Ghana	- 8
	Sundries	+ 4
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		+ \$30 mn.
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	Overnight	- \$13 mn.
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