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Copy to: Mr. Byatt o/r

Foreign Exchange and Gold Markets Reports

25th - 27th February

Sterling was a fairly quiet if rather weak market on Wednesday and Thursday but there were few apprehensions about a change in MLR. Most of the activity was professional and the volume of selling was not large. On Friday, however, some large commercial selling orders were seen and the rate dropped sharply both against the dollar (to a low of 2.1925 at one stage) and in effective terms.

Federal Funds returned to the 15% level in New York on Thursday and the dollar finished a little firmer despite a rise in German short-term interest rates. The Bundesbank made funds available to the banks at 12% under its new Lombard facility and the deutschemark strengthened within the EMS moving to second place behind the French franc. The Belgian franc was weak, requiring regular support and its diversification indicator at times exceeded 80.

Gold was a weak market, dismayed at the continuing high level of U.S. interest rates. The price dropped to \$489 on Friday.

27th February 1981.

TRS

Main exchange rates

	<u>24th February</u>	<u>27th February</u>
<u>\$</u>	close	close
E	2.2305	2.2032
DM	2.1155	2.1250
SF	1.9185	1.9610
FF	4.9750	5.0125
Yen	207.55	209.67

<u>£</u>		
DM	4.71½	4.68½
SF	4.28	4.32
FF	11.10	11.04
£ effective	99.5	98.9
Gold	\$503	\$489

Intervention abroad (main items)

Italy	-	525
Denmark	-	93
Germany	-	75
Belgium	-	178 equivalent (Fr.fcs and guilders)

E.E.A. Transactions

Operations: + \$106mn.

The result for February was a reserve increase of \$40mn. after net new public sector borrowing of \$44mn. The overbought forward position rose by \$59mn. to \$1,614mn.