

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 17th March 1981

Sterling again met demand, this time for both commercial and official account, and the ERI rose to 99.9. The dollar eased in the Far East and in mid-session in London but managed to end the day at opening levels in most European centres.

In New York the pound edged up to 2.2460 last night. This morning it started in London at 2.2442 and had risen to 2.2575 by mid-morning on the back of late orders from the Far East and on official account. Early this afternoon it improved to 2.2590 but gave way to a better dollar and closed at 2.2532 - a net gain of some 9/16% since yesterday. Forward margins and interest rates were little changed; a covered discount of 1/8% re-emerged for sterling.

In Germany the pound crept up to 4.69 1/2, in France to 11.08 1/2 and in Switzerland to 4.27 1/2. The dollar, which fell back to 2.0790 in Germany early this morning, closed at 2.08 1/2 - virtually its opening level but 1/8% lower than yesterday. The deutschemark remained top of EMS, just under 2 1/2% above the Belgian franc (34.18), which needed no support today. The French, however, continued to spend reserves and were sellers of deutschemarks equivalent to \$185 mn. The lira was held to yesterday's distance of 4 1/2% from the top by sales of \$150 mn.; it closed at 1016 1/2. In Switzerland the franc was marginally firmer at 1.8977. Although bank rate was reduced by more than had been expected in Japan, the yen weakened only a little - to 207.30 - after a strong performance this morning. The Swedes bought \$75 mn.

Gold fell to \$493.75 in New York yesterday but breached \$500 in the Far East. It was steady at first in London, fixing at \$498.25, but encountered persuasive selling during the second session when it fixed at \$493.25. It later fell another \$2.

Operations:	Market	+	\$7 mn.
	Post Office		
	(PSB)	+	12
	Interest	+	6
	Sundries	+	9
		+	<u>\$34 mn.</u>

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DAHB

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