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THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 30th March 1981

Markets opened the week in quiet mood though the Belgian franc had another restless day. The trend of American interest rates weakened the dollar a little. Sterling met modest demand early on and the ERI rose to 100.6.

There was no excitement in New York at the end of last week: the pound closed there at 2.2280. It opened at 2.2287 this morning and found support from European banks, rising steadily to 2.2422 before settling down just below 2.24. The closing level was 2.2370. Euro-dollars softened on the sharper than expected fall in US money supply. The three months' rate eased to 14 15/16% and the covered comparison turned to 1/16% in London's favour.

Sterling improved a little on the Continent, rising to 4.74½ in Germany, 11.18½ in France and 4.31½ in Switzerland. The dollar shed about ¼%, easing to 2.1192 against the deutschemark which continued to lead EMS. The system remained fully stretched with all the pressure on the Belgian franc which, on a closing rate of 34.77, reached 96 on the adjusted divergence indicator; a total of \$385mn. was spent in its defence (including small amounts by the French, Dutch and Germans), of which \$305mn. in deutschemarks, \$47mn. in French francs and \$24mn. in Swiss francs. The total for this month is nearly \$2bn. The Italians sold \$100mn., the lira making a slight improvement to 1058.35 but remaining ¾% below the deutschemark. The Irish sold \$32mn.; the Swedes bought \$38mn. Both the Swiss franc (1.93) and yen (211.57) moved lock-step with EMS.

Gold was surprisingly weak in spite of lower American interest rates and heightened tension over Poland. Fixings were at \$529.50 and \$526.50 but in later dealing \$520 was breached.

Operations:	Iran	+ \$10mn.
	S.Africa	+ 5
	Sundries	- 6
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		+ \$9mn.
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(of which -8 for March)

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p.p. DAHB