

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 10th April 1981

An uneventful day. The Federal Reserve's outright purchase of securities yesterday took the shine off the dollar this morning, but it recovered its poise this afternoon and, when Chase Manhattan raised Prime Rate from 17% to 17½%, the currency closed somewhat firmer for choice. Sterling was idle and finished fractionally easier. The ERI was unchanged at 99.2.

The pound closed at 2.1940 yesterday in New York. This morning it opened at 2.1905 and mirrored the dollar's movements throughout the day, touching 2.1936 this morning and 2.1795 this afternoon before closing at 2.1860. Dollar and sterling deposits were a touch firmer. With sterling's three-month forward premium widening slightly to 3½% p.a., interest parity prevailed.

The pound was unchanged in Zurich (4.28½), a little easier in Paris (11.07½) and Frankfurt (4.69½). The dollar finished in these centres at 1.9585, 5.0660 and 2.1475 respectively. EMS was 2 3/16% spread between the deutschemark and Belgian franc (35.18), the latter weakening to 92 on the index of divergence, though again requiring no support. The Bundesbank sold \$21mn. and swapped out \$1.6bn. to squeeze domestic liquidity. The Swedes took in \$39mn. The yen shed a further ¼%, closing at 214.87.

Gold remained very weak. The threatened resignation of the Polish Premier provided little comfort and the fixings set levels of \$491 and \$493.50.

Operations:	Market	+	\$7mn.
	India	+	22
	France	+	16
	Interest	+	12
	Sundries	+	4
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		+	\$61mn.
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