

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 15th April 1981

With eurodollar deposit rates fluctuating indecisively, the dollar was yet able to make modest gains today. Sterling met professional selling at times and was generally easier by the close. The ERI fell from 99.3 to 98.9.

The pound closed at 2.1725 yesterday in New York, where the dollar was already beginning to move ahead. This morning the trend continued. The pound opened at 2.1750, touched 2.1760, then retreated fairly quickly as professional sellers, both in London and later on the Continent, moved in. Sterling fell to 2.1637 before setting a narrow range around 2.1660. Early this afternoon further Continental selling saw business down to 2.1580 but, with the dollar below its best levels, the pound picked up to close at 2.1635. Three-month eurodollars closed a little easier at $16\frac{1}{2}\%$; sterling's forward premium narrowed to 4% p.a.; the intrinsic premium remained at $\frac{1}{2}\%$.

The pound gave up yesterday's gains in Europe closing at 4.28% in Zurich, 11.08% in Paris and 4.69% in Frankfurt. The dollar firmed in these centres to 1.9810, 5.1240 and 2.1710 respectively. The Bundesbank swapped out \$1.4 bn. to tighten liquidity. EMS was 2 3/16% spread between the Belgian franc (35.58) and deutschemark. The franc was 94 on the index of divergence. The Belgians sold deutschemarks worth \$8 mn. and lowered Discount and Lombard rates by 1% to 15% and 17% respectively. The French sold \$49 mn.-worth of deutschemarks. The Swedes took in \$30 mn. The yen eased to 216.20.

Gold drifted lower over the day. Fixings were \$480.25 and \$476.25.

Operations:	I.D.A.	+	\$28 mn.
	India	+	11
	Interest	+	6
	Sundries	+	4
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		+	\$49 mn.
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