

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 9th November 1981

Although offered in the Far East (from Middle East sources) before London's dawn, sterling had a quiet start to the week in Europe. The dollar was set back by the latest US money figures but was then heartened by aggressive intervention by the Germans and Dutch and by some covering in of short positions. Sterling's ERI crept up to 89.3

In New York on Friday evening the pound closed at 1.8830, before the money supply announcement. It opened the week in London at 1.8917, having traded to the East below 1.89 (and down to 4.14 $\frac{1}{2}$ against the deutschemark), rose in mid-morning to 1.8980 and was quoted in a narrow range around 1.8940 before closing at the low point of the day, 1.8910, as the dollar made a late rally. The base rate reductions to 15% were but temporarily depressing. Interest rates fell steeply with Euro-dollars ending at 13 $\frac{1}{4}$ % and interbank sterling at 14 15/16%. The covered differential remained close to $\frac{3}{8}$ % in London's favour.

In Europe the pound made a small advance against the French franc (10.52 $\frac{1}{2}$) but eased in Swiss franc (3.35) and deutschemark (4.16 $\frac{1}{2}$) terms. The dollar opened weak - at 2.1910 in Germany for example - but was helped by Dutch purchases totalling \$125mn. and German purchases totalling \$191mn. (mostly for forward dates); both countries also relieved domestic liquidity by swapping in \$587mn. and \$220mn., respectively. The deutschemark remained at the bottom of a band which was less than 1 $\frac{1}{2}$ % wide tonight. The Danish krone continued at the top, having eased from 7.06 $\frac{1}{2}$ to 7.09 $\frac{1}{2}$ during the day. The Belgians experienced a shiver of concern after the election result and spent a mixture of currencies totalling \$10mn. The lira required \$129mn. of support but the French franc had a better day and escaped without intervention to close at 5.55 $\frac{1}{2}$. The Irish sold \$27mn. The yen improved to 226.45 in Tokyo and closed little worse in London, at 226.81.

Gold tried to rally on the lower dollar, fixing at \$430.10 this morning, but eased later to fix at \$429.75. Some stop-loss selling caused a decline thereafter to \$425.50.

Operations:	BIS	+	\$10mn.
	India	+	10
	Government	+	9
	Sundries	+	3
			<hr/>
		+	\$32mn.
			<hr/>

9th November 1981.

DAHE

