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THE GOVERNOR'S PRIVATE SECRETARY

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FOREIGN EXCHANGE AND GOLD MARKETS
25TH - 29TH APRIL

An unexpected \$3.1bn. drop in US money supply last Friday evening led to some easing in the dollar. However this proved temporary and following the announcement on Wednesday of a Treasury refinancing package (for auction next week) some \$2bn. higher than Street estimates at \$15bn. and the reiteration by Feldstein in Paris of the US Administration's position on intervention, the dollar rose to achieve its best levels in some centres for almost three months. Subsequently with Volcker and Mondale stating a different view on intervention, the dollar eased back.

Weekend press comment on the retail price index for March and the more favourable outlook for inflation seen by the Chancellor gave sterling a strong start to the week. With the Soviet Union's announcement on Monday afternoon of a 50 cent a barrel increase in their oil prices also giving a boost, the pound rose on Tuesday to 1.5735 at best against the dollar and to an ERI of 84.6 at the close. The high level of sterling, particularly against the European currencies, attracted some sizeable commercial selling on Wednesday and Thursday, but despite the stronger dollar the pound eased only modestly.

In EMS, the deutschemark remained under pressure; although receiving \$1630mn. equivalent of support in various centres, it was for the most part the weakest currency. The French franc was generally at the top of the EMS, with the band fully stretched throughout the week. Despite a ¼% rise in deposit rates on Monday, the Swiss franc moved closely in line with the deutschemark.

After fixing in London at \$442.25 on Monday morning, the gold price began to move lower, with some sizeable selling, perhaps from the Middle East, seen on Wednesday and Thursday. The final fix was \$429.25.

29th April 1983

OP OP

MAIN EXCHANGE RATES

	<u>22. 4.83</u>	<u>29. 4.83</u>
<u>£</u>	c.o.b.	c.o.b.
\$/£	1.5481	1.5620
£/DM	3.75 5/8	3.84 1/8
£/SF	3.18 5/8	3.22
£/FF	11.35 1/8	11.52 1/8
ERI	83.2	84.2
<u>\$</u>		
\$/DM	2.4455	2.4592
\$/SF	2.0582	2.0615
\$/FF	7.3325	7.3760
\$/yen	236.52	237.47

MAIN INTERVENTION ABROAD

France + \$910mn. (of which \$870mn. in deutschemarks)
Italy + \$300mn.
Belgium + \$200mn. (in deutschemarks)

Germany - \$540mn. (of which \$280mn. in French francs)

EEA OPERATIONS

+ \$244mn. (of which market + \$121mn.)

APRIL RESERVES

+ \$319mn. to \$17,656mn.
of increase \$145mn. o/a EMCF, \$8mn. o/a P S Borrowing,
giving an underlying increase of \$168mn.