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MR. McMAHON

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 4th June 1979

With all European centres, except those in Italy, closed today, foreign exchange markets had their quietest session for a long time with scarcely a whit of business transacted. Sterling edged up to 67.7 in effective terms.

In New York the pound closed before the weekend at 2.0773. It began the week here a point lower and moved uncertainly to 2.0755 before returning to opening levels. Some commercial trading was noted at times and the rate ended at the best of the day, 2.0788. Forward margins were unchanged but a covered differential of a bare 1/16% emerged in favour of sterling.

The dollar shaded lower once New York opened but it was basically featureless. Notionally, the Belgian franc (30.77½) was at 96 on the divergence indicator. Other closing levels for the dollar were: DM 1.9119, French franc 4.42, lira 853.95, Swiss franc 1.7283, yen 219.7 and punt 1.9665 (nearly 5¼% discount). The Canadian dollar, which required support of \$153 mn. on Friday following disappointing trade figures, had another rough ride today when the latest reserve loss was published (\$1.1 bn.): it fell from US\$85.60 to 85.09 per Can\$100.

Gold eased during the morning to fix at \$273.60. It was sold off later in anticipation of North American selling, and fell to \$271.70 but when this failed to materialise it rallied to \$272.90 at the afternoon fixing, progressing then to \$275 before closing at \$274.25.

Operations:	Market	+ \$9 mn.
	India	+ 10
	Bangladesh	- 12
	EEC	+ 5
	Sundries	+ 4
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		+ \$6 mn.
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