

SECRET

MR. McMAHON

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 10th August 1979

Between a quiet aubade and a reedy nocturne the pound played a merry tune to end the week on a high note. A Dutch bank was instrumental in orchestrating demand on a large scale for outright sterling six months' forward on behalf of a customer. The dollar was pitched lower by disappointing money figures. Sterling's ERI rose to 71.5.

In New York, the pound remained firm last night, closing at 2.2365 (after 2.2385). With the accompaniment of small Far East support, the opening level in London today was 2.2405 but as trading faded away the rate drifted to 2.2357 before the first notes of the Dutch order (for £75 mn.) were heard. It was executed in several parts in different centres and the rate improved steadily to a high of 2.2570 before trading entered a minor key, sterling closing at 2.2495. Although the cost of forward cover remained at 3%, Eurodollars had a bid tendency and a covered differential against London emerged again, at  $\frac{1}{8}\%$  p.a.

In Europe the pound gained everywhere, by about  $\frac{1}{2}\%$ : against the deutschemark it rose to 4.09 $\frac{1}{2}$ , against the Swiss franc to 3.70 $\frac{1}{2}$  and in Paris to 9.54 $\frac{1}{2}$ . The dollar was supported in Germany to the extent of \$88 mn., the deutschemark ending more or less where it opened, at 1.8220, after 1.8176 this morning. The Danish krone (5.2447; divergence indicator 71) was 1 15/16% away, the lira being 4 $\frac{1}{2}$ % distant from the krone at 816. The French spent deutschemarks equivalent to \$36 mn. as their franc eased to 4.24 $\frac{1}{2}$ . The Swiss franc finished at 1.6455, the punt at 2.0697 (8% discount). The yen was steady at 215.98.

Gold attracted staccato demand and rose to \$302.80 and \$303.75 at the fixings.

Operations:	Market	+ \$94 mn.
	Nigeria	- 22
	Interest	+ 7
	Sundries	+ 2
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		+ \$81 mn.

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