

SECRET

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FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 17th October 1979

After opening on a rather weak tack, the pound encountered a favourable commercial trade wind late this morning. Towards the close, however, the dollar - which had also drifted lower in the opening period - surged ahead again to leave sterling 0.1 down in effective terms at 68.8.

Persistent selling in American markets last night pushed sterling down to 2.1405, but this level was ignored in London where the opening was at 2.1502 this morning. Very modest selling took the rate down to 2.1461 before an order for some £50mn. began to play its part. Coincident with this came a much smaller selling order and the pound rose to 2.1506. By the afternoon the market had become inactive again and, with the dollar recovering, the pound eased to close at 2.1472. The adverse covered differential widened further, to 7/16% p.a.

Sterling gained in Switzerland by about $\frac{1}{2}\%$ (to 3.53 $\frac{1}{2}$) but ceded a similar amount in Germany (3.86 $\frac{1}{2}$) and France (9.06 $\frac{1}{2}$). There were no particular features in Europe where the dollar, after opening firmer, eased to close virtually at last night's levels, except in Switzerland where the franc weakened to 1.6442. The EMS was relaxed: the Belgian franc ended at 28.98, the Danish krone at 5.2407 - about 2 $\frac{3}{16}\%$ apart. The Danes recouped \$17mn. The deutschemark closed at 1.80, the French franc at 4.2210, the lira at 829 $\frac{1}{2}$ and the punt at 2.0757 (about 3 $\frac{1}{2}\%$ discount). The French swapped out a further \$55mn. For the yen, however, it was another expensive day: \$361mn. was spent in Tokyo this morning, where the dollar rose to 233.90. It continued to strengthen in London, closing at 234.30.

Gold was steady up to London's close, but began to weaken sharply thereafter. Fixings were at \$386.40 and \$386, later dealings at \$376.

Operations:	Market	+\$12mn.
	P.S.B.	
	B.Airways + 50	
	N.S.H.E.B + 25	+ 75
	Iran	+ 20
	Nigeria	- 54
	Sundries	+ 1
		<u>+\$54mn.</u>

18 October 1979.

D.A.H.B.