

SECRET

MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 9th November 1979

Having weathered as unpleasant squall in New York yesterday, sterling met a fairer wind from the Continent this morning. The Treasury Bill tender underpinned the recovery and ensured a smooth course for the rest of the day. The ERI closed unchanged at 67.3.

The pound was sold down below 2.08 at one stage in New York yesterday but closed eventually at 2.0840. Opening this morning at 2.0848, it soon encountered good demand, emanating almost entirely from Geneva, possibly on Middle East account. 2.0965 was paid at best but, once appetites were sated, the market turned thin and sterling drifted back to 2.0845 by early afternoon. The tender result then sparked a recovery and, while trading was not active, the pound was marked up again to 2.0955 before closing at 2.0925. Sterling's three-month forward premium was reduced to 3/16% p.a. but, with sterling deposits still firmer, the uncovered differential was eliminated.

The pound was unchanged against the French franc (8.80½) and just a touch better against the Swiss franc (3.45½) and deutschemark (3.75½). The dollar gained a little ground this morning, following encouraging money supply figures and nothing untoward from Iran, and held the gains through the day. The mark closed at 1.7939, the Swiss franc at 1.6497 and the French franc at 4.2065. The EMS finished at 1½% in width between the lira (830.30) and Belgian franc (29.02). The punt (2.0637) stood at 1½% discount on sterling. The Irish sold pounds worth \$21 mn. The yen was further savaged, closing at 242.00 in Tokyo, after official sales of \$156 mn., and 243.07 in London.

Gold eased this morning as the dollar improved. The fixing was \$389.75 and the metal fell further before a recovery was sparked in the US. The afternoon fixing set a level of \$389.50 and, by the close, opening levels were almost restored.

Operations:	Market	+ \$2 mn.
	Sundries	+ 3
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		+ \$5 mn.
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Overnight + \$7 mn.

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