

MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETSThursday, 17th January 1980

Sterling met mixed fortunes today, with considerable selling this morning followed by some good demand late in the day. The dollar itself closed a little better - though below its best - but sterling's ERI nonetheless closed slightly lower at 71.6.

The pound closed at 2.2670 in New York yesterday, having fallen a cent in late London trading. This morning it opened at 2.2685. The opening exchanges - aside from a little Swiss selling - were steady. Later, however, heavier speculative offerings from Switzerland and London drove the pound down to 2.26 and this brought in panic commercial selling. Sterling fell to 2.2535, with volume quite substantial and mostly one-way, before some stability was restored. Thereafter, fortunes changed. Further outright forward buying interest on Middle East account carried the rate back up through 2.26 and, once the money statistics were published, good demand was evinced from London and New York. Sterling advanced strongly to 2.2745 before closing at 2.2715, and trading on after hours as high as 2.2780. Forward margins widened, as spot sterling eased - the three months' to 2 11/16% p.a. discount. Sterling's intrinsic premium was 3/16%.

The pound lost a further 1/8% in Switzerland (3.61) and 1/8% in both France (9.17 1/2) and Germany (3.91 1/2). The deutschemark was unchanged at 1.7234 but the Swiss franc was a little easier at 1.5895. Conflicting pressures were observed in the EMS which widened to over 1 1/2% between the French franc (4.0376) and Belgian franc (28.01). The Belgians sold \$16 mn. and the Dutch took in deutschemarks equivalent to \$23 mn. In Scandinavia, the Swedes raised Bank Rate by 1% and the Norwegians were left to sell \$40 mn. while the Danes lost \$123 mn. The yen weakened to 238.70 in Tokyo and 239.60 in London (after 240.12).

Gold was softer for much of the day. This morning's fixing set a level of \$728.25 but this afternoon's session was bid up to \$750 on a rumour that Russian ships had sailed from Vladivostok. Later New York took the metal up through \$770.

Operations:	Market	+ \$19 mn.
	Ireland	+ 46
	India	+ 23
	Iraq	+ 23
	IDA	+ 7
	EEC	- 29
	Government	- 5
	Sundries	+ 3
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		+ \$87 mn.
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	Overnight	+ \$3 mn.
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