

MR. McMAHON

FOREIGN EXCHANGE AND GOLD MARKETSTuesday, 26th February 1980

The exchanges marked time again today and there were few significant movements. Sterling was generally a touch firmer, the dollar a touch easier. Sterling's ERI closed unchanged at 72.9.

The pound closed softer at 2.2720 in New York yesterday but opened at 2.2760 this morning and never dipped below 2.2745 in a quiet opening session. The familiar Middle East professionals re-appeared in mid-morning to bid sterling up to 2.2810 but, once their interest subsided, the pound traded quietly through the rest of the day, seldom far from its closing level of 2.2784. Forward margins widened late in the day so that three months' cover cost 2% by the close. The adverse covered differential rose to $\frac{1}{8}$ %.

The pound eased a little in Switzerland (3.80) and made modest gains in France (9.41 $\frac{1}{2}$) and Germany (4.01 $\frac{1}{2}$). The Swiss franc (1.6680) recovered a little ground on the dollar but the French franc (4.1316) and Deutschemark (1.7614) were barely changed. The Bundesbank sold \$38 mn. The lira (815.37) and Belgian franc (28.59) continued to span the EMS, around 2% apart. The Irish sold \$10 mn. The Japanese spent \$32 mn. in New York yesterday and \$45 mn. in Tokyo this morning. The yen closed there at 248.40 and in London at 247.85.

Gold was steady around yesterday's closing levels. Fixings were \$636.75 and \$642.25.

Operations:	Market	+ \$18 mn.
	Nigeria	+ 170
	India	+ 11
	Government	+ 7
	Bangladesh	- 11
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		+ \$195 mn.
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