

SECRET

MR. McMAHON

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 24th May 1979

The Ascension Day holiday in most European centres made for a generally quieter day. The final PSBR and first quarter GDP figures depressed sterling this afternoon and the dollar, too, lost ground when Chairman Miller asserted that there was no recession in sight in the US. Sterling's ERI, having risen to 67.2 this morning, closed lower overall at 66.8.

The pound finished at 2.0576 in New York yesterday and opened at 2.0575 this morning. Some early demand from the Far East saw business up to 2.0620 but the opening levels were quickly re-established when one or two local commercial sellers appeared and sterling traded quietly thereafter through the morning. The PSBR was an unwelcome surprise and sterling fell to 2.0497 after New York opened. Miller's intervention took the dollar generally lower but the pound fared rather less well than most and never bettered its closing 2.0535. Forward margins widened following the PSBR announcement. Three months' cover cost $1\frac{1}{8}\%$ p.a. at the close, leaving an intrinsic discount for sterling of $1/16\%$.

Sterling lost $\frac{1}{8}\%$ to the Swiss franc (3.56 $\frac{1}{8}$), $7/16\%$ to the French franc (9.10 $\frac{1}{8}$) and $\frac{1}{8}\%$ to the deutschemark (3.92 $\frac{1}{2}$). The deutschemark was 1.9115, rather firmer than most. The French franc (4.4345) eased to 2.32 against the mark. The Swiss franc (1.7342) slipped to 0.9070 to the mark. The Belgian franc (30.78) was all of $2\frac{1}{8}\%$ off the mark and $4\frac{1}{8}\%$ from the lira (855.22). The punt (1.9665) was $4\frac{7}{16}\%$ discount on the pound. The yen closed unsupported at 219.10 in Tokyo and 218.50 in London.

Gold eased to \$263 at this morning's fixing but recovered to 263.75 this afternoon. Miller's statement took the price \$1 higher before the close in London.

| | | |
|-------------|--------------|-------------|
| Operations: | Ireland | + \$21 mn. |
| | British Gas | |
| | (PSB G'teed) | + 10 |
| | Government | - 5 |
| | Sundries | + 5 |
| | | <hr/> |
| | | + \$31 mn. |
| | | <hr/> <hr/> |

JGH
24th May 1979.
JGH