

FE440.07

MR. McMAHON

FOREIGN EXCHANGE AND GOLD MARKETS

~~Thursday~~
Wednesday 21st June 1979

Persistent buying carried sterling to 69.0 in effective terms at noon, the highest recorded on the present index; the 68.9 at the close represented a rise of 0.3 on the day. Despite news of the first quarter current account surplus, the dollar weakened further, especially in Switzerland where it was heavily sold. The Belgian and Danish currencies remained under pressure in the snake.

Sterling closed at 2.1315 in New York and opened quietly around that level in London. An early order from Eastern Europe to sell pounds against lire brought the rate briefly to 2.1288, but buyers soon asserted themselves and the pound advanced to 2.1475 in the late morning before receding to 2.1435 at noon. One or two continental banks were substantial buyers, and there was commercial interest too. In the afternoon some further sales on Dutch investment account were readily absorbed, and persistent buying, some of it possibly associated with gilt-edged purchases, carried the pound as high as 2.1490 against a sickly dollar before the rate eased to 2.1415 at the close. Early New Yorkers traded both ways. Three months' cover changed little at 3 1/16%; the intrinsic premium on sterling rose a touch to 1/8% after 1/8%.

The pound softened against the Swiss franc (3.55 1/2), but improved 1/8% against the mark (3.98) and 1/8% against the French franc (9.24 1/2). The strength of the Swiss franc, in the wake of a big buying order against dollars, was a feature of the day. It closed 1 1/2 rappen better at 1.6597, the SNB offering only token resistance (\$32mn.) to its rise. The Bundesbank gave the dollar even less support (\$20mn., in contrast to the Fed's purchase of \$41mn. against marks yesterday) as the mark gained 3/8% to 1.8584 after 1.8557. It remained top of the 2 1/8% band, closing 2 1/8% above the Belgian franc (29.84, scoring 81 on the divergence index) which took over bottom place from the Danish krone (5.3572). The Belgians sold \$17mn. worth of marks and the Danes \$27mn. The French franc (4.31 1/2) lost ground to the mark, and the Banque de France sold \$50mn. worth of marks to protect the cross-rate. The Dutch also gave support. The Irish pound closed at 2.0312, a wider 5 1/8% discount on sterling, the central bank having bought £5mn. The lira (838.87) slipped further to only 1 1/8% above the mark. The yen had another quiet day, closing in London at 218.87, just a touch stronger than in Tokyo.

Gold reflected the weaker dollar, fixing at \$280.60 and a near record \$282.30. It later traded close to \$283.

Operations:	Market	+\$97mn.
	Canada	
	(o/a Nigeria)	- 21
	Sundries	- 1
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		+\$75mn.
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