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THE GOVERNORS' PRIVATE SECRETARY.

Copies to: Mr. McMahan
Mr. Sangster
Mr. Byatt

I attach a note to cover the period of the Deputy Governor's absence, as requested.

4th July 1979.

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Gold fell sharply on Thursday from \$282 to \$275, but has since

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FOREIGN EXCHANGE AND GOLD MARKETS
27TH JUNE to 11 A.M., 4TH JULY

Further oil price increases and high interest rates brought persistent buying of sterling from all quarters. The Chancellor's support for a strong pound and talk of a fresh discovery in the North Sea added to the pressure. From 68.9 at the close on 26th June, the effective index advanced to 71.2 this morning, the highest since early March 1976. Against the dollar, 2.20 was passed on Tuesday, and the rate stands at 2.2313, the strongest for four years. Having hovered around 4.00 for a while, the cross rate against the mark is now 4.10. A decrease in the cost of forward cover, to 2 $\frac{1}{2}$ %, has helped to produce a small ($\frac{1}{2}$ %) intrinsic premium on the usual comparison.

Most main currencies improved against the dollar - a few rates are shown in the attached table. The Fed bought \$720 mn. and the Bundesbank \$400 mn.; otherwise dollar intervention, apart from our own, was modest. The Belgians raised interest rates yet again (2% on Lombard rate); this move backed by further intervention helped the franc. The Danish crown (5.29 $\frac{1}{2}$) is bottom of the snake, 2 $\frac{1}{2}$ % below the mark.

Gold fell sharply on Thursday from \$282 to \$275, but has since recovered to \$283.30. The IMF auctioned 444,000 ozs. last night at an average of \$281.52.

Some take early on brought the end-June reserves to \$22,070 mn., a rise of \$538 mn., after debt repayments of \$63 mn. The forward book increased by \$510 mn. in the month to \$1,845 mn. After further inflows (\$150 mn. this morning alone), the figures for July stand at:-

		\$ mns.
<u>spot reserves</u>	<u>forward book</u>	<u>total</u>
+ 140	+ 1,523	- 182
	(end-June + 1,845)	(of which
		market + 379
		Ireland + 50
		India + 33
		net debt
		repayments - 356)

4th July 1979.
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<u>Main exchange rates</u>	<u>26th June close</u>	<u>4th July 11 a.m.</u>
Against dollar		
Sterling	2.1515	2.2313
DM.	1.8497	1.8375
French franc	4.2835	4.2692
Swiss franc	1.6617	1.6503
Yen	215.70	216.90
Against sterling		
DM.	3.98	4.10
French franc	9.21½	9.52½
Swiss franc	3.57½	3.68½
Sterling ERI	68.9	71.2