

SECRET

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FOREIGN EXCHANGE AND GOLD MARKETS

Thursday 13th September 1979

Heavy selling of sterling concluded a difficult day in which the ERI fell 0.3 to 70.3. The dollar steadied after a queasy start to show net gains in most centres. The EMS remained under severe strain.

Having closed steady in New York at 2.22½, sterling opened nearly 1 cent lower this morning, at 2.2135, under the weight of selling in the Far East. On balance the rate rose in early trading as some London banks showed an interest to buy; but the tone was uneasy and the pound could not hold a mid-morning rate of 2.2215. The news of a 65% wage claim from the miners renewed selling pressure, and sterling fell quite sharply to 2.2060 before the official close was taken at 2.2074. Some continental banks were prominent early on; during the afternoon New Yorkers seemed keener to lighten their sterling holdings. Further selling took the rate below 2.20½ in late trading. The money and industrial production figures had little effect. The cost of cover remained at 1 11/16%, however, leaving the intrinsic discount at 3/16%.

Sterling lost ground on the Continent, closing lower against the mark (4.00) and in Paris (9.34). The Fed yesterday bought \$229mn. against marks, and today, after an unsteady start, the dollar improved in most centres. The mark closed ¼ pfennig weaker at 1.8123, without however bringing the weaker snake participants any relief. The Danish crown closed 2½% below it at 5.2322 (76 on the divergence indicator), compelling the central bank to sell \$137mn. worth of marks. The Bundesbank helped by buying \$88mn. worth of crowns. The French franc eased to 4.2313 (2.33½ against the mark), after official sales of \$26mn. and \$75mn. worth of marks. The Belgians also felt the draught, selling \$40mn. worth of marks. The lira's lead in the snake widened to 4 1/16% above the crown; it closed at 814.35. Outside the snake, the Swiss contented themselves with swapping in \$300mn. - their franc fell ¼% to 1.6329 - and the yen eased to 223.43 after 222.15 in Tokyo.

Gold drifted down, fixing at \$334.35 and \$332.95 in good turnover.

Operations:	
Market	- \$88mn.
BIS	+ 8
Interest	+ 5
EEC	- 9
Sundries	+ 14
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	- \$70mn.
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Overnight	- \$22mn.

14 September 1979.

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