

SECRET

MR. McMAHON

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 25th September 1979

All markets were in better shape today. Sterling was actively traded and recovered to 68.1 in effective terms.

Modest demand took sterling up to 2.1625 in New York last night. It opened quietly at 2.1565 today and drifted down in gentle fits and starts to 2.1518: but as two-way trading began to build up the pound recovered to 2.16 before closing at 2.1584. Forward margins were little changed: the covered differential against London narrowed to 1/16% p.a.

Against the Swiss franc and deutschemark sterling was steady, but in Paris it improved to 8.97 $\frac{3}{8}$ (+ $\frac{1}{4}$ %). The EMS had a more comfortable day though all constituents, save the deutschemark, gave ground to the dollar. The Belgian franc needed no support, closing at 28.59, 2 $\frac{1}{2}$ % weaker than the Danish krone (5.1717 and only -61 on the divergence indicator). The deutschemark improved to 1.7673, some 1 $\frac{1}{2}$ % below the krone. The Italians sold \$65 mn. in cushioning the lira's decline to 809.05. The French allowed the DM crossrate to slip to 2.35 $\frac{1}{4}$ as their franc eased against the dollar to 4.1575 (1 $\frac{1}{2}$ % below the krone). The punt was supported to the extent of some \$25 mn. equivalent, closing at 2.1160 (2% discount on sterling). The Swiss franc and yen were little changed.

Gold seems to have settled down within a broad trading range. It fixed today at \$375.90 and \$376.70 with good levels of turnover reported.

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| Operations: | Market | + \$26 mn. |
| | Sundries | - 1 |
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| | | + \$25 mn. |
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DAHB

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