

RE 440.07

SECRET

4.10.79

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10/25/10

Copies to: Mr. Sangster  
Mr. Byatt

FOREIGN EXCHANGE AND GOLD MARKETS  
28th September - 4th October a.m.

I attach a note for the Governor's return, as requested.

4th October 1979.

PAB

B.

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SECRET

FOREIGN EXCHANGE AND GOLD MARKETS

After a quiet day on Friday, sterling softened on Monday on professional selling from the Continent, kept steadier than most currencies when the dollar swung about wildly on Tuesday, and, after an easier tendency at first on Wednesday, strengthened on the news that Libya is to curtail oil sales. Between the close on Thursday, 27th September and the opening this morning the rate eased from 2.2030 to 2.1875 (from 69.1 to 68.8 in effective terms; from 3.84½ to 3.83½ against the mark). Our market transactions balanced out.

The dollar had a rough ride, especially on Tuesday morning when it fell to 1.7258 against the mark. It turned on Mr. Solomon's hints at further measures to help it, and on Mr. Volcker's return to Washington, which excited expectations of some announcement. None was forthcoming but the dollar stayed firmer. Rates this morning are 1.7515 (DM), 1.5735 (Swiss franc), 4.1237 (French franc). Altogether it received over \$0.8 bn. of support, principally from the Fed, the Bundesbank and the Swiss. The yen was weak at times, receiving \$440 mn. of support. The snake was comparatively relaxed: Belgians raised bank rate.

Gold was more fevered than ever, ranging over \$40 in price on Tuesday. The record fix was \$437 on Tuesday morning. The price fell sharply on Wednesday. This morning it stands at \$402.

4th October 1979.