

SECRET

MR. McMAHON

FOREIGN EXCHANGE AND GOLD MARKETS

Monday 15th
Tuesday, 16th October 1979

Sterling closed a quiet day 0.1 lower in effective terms at 68.8. The dollar was firm. The yen sagged despite strenuous official support.

Having eased back to 2.1565 in New York on Friday, sterling opened this morning at 2.1585. Light early selling took the rate down to 2.1535, but the market soon steadied and the pound traded up to 2.1627 before settling into a routine either side of 2.16. It closed at 2.1574. The premium on forward sterling receded to 11/16%, leaving sterling at an intrinsic discount of $\frac{1}{8}$ % on the usual 3-months' comparison.

The pound advanced at first on the Continent, but ended slightly lower against the mark, at 3.87, and in Paris (9.08 $\frac{1}{2}$) while gaining on the Swiss franc (3.51 $\frac{1}{8}$). The dollar was quietly firm; the mark closing at 1.7937, the French franc at 4.2097, and the Swiss franc at 1.6288. The Danish crown (5.2260) stayed top of the snake, 2 $\frac{1}{8}$ % above the Belgian franc. Intervention in participant currencies was confined to a sale of \$4 mn.-worth of crowns by the Belgians. The Danes bought \$12 mn. The lira softened to 829.95. The Irish pound (2.0890) closed 3 $\frac{1}{8}$ % below sterling, the central bank having bought \$12 mn. The yen's continuing weakness was the only real feature of the day - the central bank sold \$357 mn. to contain its fall in Tokyo to 229.05. In London it closed at 229.30.

Gold paused for breath, fixing at \$400.20 and \$402.90.

Operations:	Market	+ \$12 mn.
	Kenya	+ 7
	Sundries	+ 3
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		+ \$22 mn.
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