

FOREIGN EXCHANGE AND GOLD MARKETS
Week ending 17th October 1979

Sterling traded quietly for the most part, closing unchanged in effective terms at 68.8 after 69.0 on Tuesday. The dollar firmed in most centres. The yen fell sharply despite heavy official support.


Buying in New York on Wednesday night carried sterling to 2.1720, but the pound tended lower on Thursday and Friday and closed for the weekend at 2.1625. Continental and Middle Eastern interests were seen both ways in the market. Apart from a sharp fall late on Tuesday - when sterling was sold on the Chicago exchange - the pound traded quietly after the weekend. The trade figures aroused no excitement. By the close on Wednesday, sterling had drifted back to 2.1472 against a generally firmer dollar. It was little changed over the week against the major continental currencies, closing at 3.86½ against the mark and at 9.06½ in Paris. Against the ECU it went to 1.5495, a premium of ¾% on the notional central rate. The forward premium edged back to ¾%; the intrinsic discount on sterling was little changed at 7/16%.

Although still very nervous, the dollar enjoyed a quieter week, tending to firm in most centres. Further rises in oil prices did not disturb it unduly. Various remarks by Mr. Miller and Chairman Volcker were well received, and there was general reluctance to sell dollars. The Fed. kept out of the market. So very largely did the Bundesbank. The mark weakened over ¾% to 1.80, after 1.8065 at one time on Tuesday. It picked up on Wednesday under the weight of a commercial buying order and on rumours that the Bundesbank will raise discount rate. Other European currencies drifted down gently without special features. The Swiss franc closed at 1.6442, the French franc at 4.2210, and the lira at 829½. The French bought \$30mn. The Danish crown (5.2407) and the Belgian franc (28.98) stayed at the extremes of a well-stretched snake, but any pressure was easily contained as the Belgians sold a smattering of Danish crowns and the Danes bought \$55mn. The Irish pound eased to 2.0757, a 3¾% discount on sterling. The central bank bought \$50mn. and £15mn. The yen, battered by weak balance of payment figures, inflation and further rises in oil prices, had a miserable week, falling by 3¾% to 234.30 having touched 235 in Tokyo. Intervention amounted to \$1380mn. Mr. Morinaga promised unstinted support. A year ago it stood at 181½.

The response to last Wednesday's IMF auction disappointed the gold market, and the price fell \$27 to \$386. Trading remains nervous and the price volatile. The U.S. Treasury's plan to vary the timing and amount of their auctions has heightened uncertainty. They sold 750,000 ozs. of coin bars at an average price of \$391.98 on Tuesday, equivalent to about \$392½ per ounce in good delivery form.

18 October 1979.

P.A.B.



RATES, ETC.

10.15 a.m.

10.15 a.m.

11 October

18 October

2.1658

£/\$

2.1465

68.8

Effective exchange rate index

68.6

½% p.a. pre.

Forward 3-months

½% p.a. pre.

14½%

Euro-\$ 3-months

14 9/16%

¾% p.a. disc.

I.B.Comparison

7/16%

1.7837

\$/DM

1.7960

3.86½

£/DM

3.85½

9.07½

£/FF

9.04½

225.92

\$/Yen

232.40

\$401.00

Gold

\$383½

1.6125

\$/S.Fc.

1.6418

3.49½

£/S.Fc.

3.52¾