

SECRET

MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 25th October 1979

Sterling enjoyed a much quieter day and remained quite steady and untroubled in its new trading range. The ERI edged up to 67.8.

The pound continued firm in New York yesterday and closed there some half a cent better at 2.1170, despite a further mark-up for the dollar in response to the new Carter bonds. This morning, sterling opened at 2.1153 and traded all day between 2.1092 and 2.1167 without trouble. Some early selling from London was mopped up by the Continent and some later offerings from Switzerland and Germany found a home in the Middle East. Some momentary disappointment was registered at the unchanged Minimum Lending Rate. The afternoon was very quiet and the closing level was 2.1136. The three months' forward premium fell again to 11/16% p.a. and sterling's intrinsic discount came down to 3/8%.

The pound was unchanged against the deutschemark (3.80½) and showed small gains against the Swiss franc (3.50) and French franc (8.92½). These all closed little changed on the dollar at 1.8013, 1.6562 and 4.2225 respectively. In the EMS, the Danish krone fell sharply (to 5.3010) on a provincial press report that a devaluation was being considered. The Danes sold \$36 mn. in support. The lira (829.32) went to the top of the band, with the guilder (2.0015) 1 13/16% below at the foot. The Dutch sold \$20 mn. The French bought \$22 mn. and the Belgians took in marks worth \$17 mn. The punt (2.0722) closed at 2% discount on sterling. The yen finished at 233.80 in Tokyo and 233.70 in London.

Gold eased slightly but was generally very steady. The market was dull outside the morning fixing which saw heavy turnover. Fixing levels were \$391.20 and \$391.80.

Operations:	Market	-	\$8 mn.
	Bangladesh	-	43
	Iraq	+	21
	Kuwait	+	6
	Post Office	+	5
	(PSB G'teed)		
	Sundries	-	4
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			- \$23 mn.
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