

SECRET

MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 6th November 1979

BNO's increase in North Sea oil prices gave sterling a boost this morning. With markets otherwise quiet - New York was closed for Election Day - little notice was taken of the banking statistics and the pound closed firm. The ERI rose from 66.1 to 66.6.

Sterling finished at 2.0690 in New York yesterday and opened at 2.0678 this morning. Having touched 2.0665 it was carried steadily forward by good, general demand from the Continent and reached 2.0795 before profit-taking established a trading range around 2.0750. Thereafter, sterling was never very far from this level. The banking figures caused no stir and one or two buyers were seen in the aftermath. Sterling closed at 2.0746. Sterling deposits hardened and forward premia narrowed as dealers began to anticipate an increase in MLR. Sterling's three-month premium was  $\frac{1}{2}\%$  p.a. and this produced interest parity on the covered comparison.

The pound gained  $\frac{3}{8}\%$  against both the French franc (8.73 $\frac{3}{8}$ ) and deutschemark (3.72 $\frac{3}{8}$ ) and  $1\frac{1}{8}\%$  against the Swiss franc (3.42 $\frac{3}{8}$ ). These all lost ground to the dollar, closing at 4.2123, 1.7961 and 1.6520 respectively. The French swapped out \$60 mn. and the Germans bought \$31 mn. while swapping out \$600 mn. The EMS remained as yesterday at 1 9/16% in width between the lira (830.60) and Belgian franc (29.01). The Danes sold \$20 mn. The punt (2.0650) reverted to  $\frac{1}{2}\%$  discount on sterling. The yen again closed at 237.20 in Tokyo, after official sales of \$50 mn. but weakened in London to 238.32.

Gold strengthened again today on further consideration of Iranian developments. Fixings were \$382.80 and \$384.30.

Operations:	Market	+ \$48 mn.
	Ireland	+ 21
	India	+ 21
	Lothian CC	
	(PSB G'teed)	+ 11
	Interest	+ 7
	South Africa	- 10
	Sundries	- 4
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		+ \$94 mn.

*JGH* 6th November 1979.  
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