

MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 12th November 1979

After a buoyant start the pound came into some demand this morning and then into substantial demand this afternoon as positions were apparently being ordered in advance of an expected rise in MLR this week. The dollar had a better day. Sterling's ERI rose to 68.0.

Having closed in New York on Friday at 2.0950, the pound opened modestly weaker today at 2.0977 in London, edged down to 2.0973 but quickly resumed an upward path to touch 2.1058 at best this morning. After reverting to the 2.10 level around noon it traded firmly until a sizable commercial order encouraged other buyers and the rate jumped to 2.1095. Although closing at 2.1065, dealings later took place above 2.11. Forward sterling moved to a discount as MLR hopes gained momentum and pushed up interbank rates. By the close, with the cost of cover at 7/16%, sterling at 15 13/16% and Eurodollars at 15 1/2%, there was a covered premium of 1/8% in London's favour.

Sterling recorded gains of over 1/8% against the deutschemark (3.78 1/2) and French franc (8.87 1/2) and of 1/4% against the Swiss franc (3.51 1/2). The dollar continued to improve in the light of the latest economic indicators and on the fact that the Iranian situation had not worsened. The Swiss franc suffered most in Europe, easing to 1.6672 whilst the deutschemark eased only to 1.7972 (after 1.8010 in late morning). Markets were thinly based, however, because of the Veterans' Day holiday in the US. The EMS ended 1 11/16% wide, still between the Belgian franc (29.09) and the lira (831.95). The punt's discount on sterling widened to 2 1/4% (2.0580). The yen had another poor day, closing at 247.20 in Tokyo, where another \$172 mn. was spent, and at 247.30 in London.

Gold held steady at firm opening levels, fixing at \$393 and \$393.25.

Operations:	Market	+ \$120 mn.
	India	+ 21
	PSB (NWC)	+ 16
	Iraq	+ 6
	Sundries	- 2
		<hr/>
		+ \$161 mn.
		<hr/>

12th November 1979.

DAHB

