

SECRET

MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 13th November 1979

An active day on the exchanges. President Carter's ban on American imports of oil from Iran gave the dollar an early psychological boost but this was lost once profit-taking set in. Sterling, too, started strongly as yesterday's buoyant tone persisted but the higher levels attracted an increasing number of sellers and the gains had evaporated by the close. The ERI closed unchanged at 68.0, after 68.4 this morning.

Far Eastern markets this morning evinced good demand for sterling, which opened in London at 2.1140, somewhat better than yesterday's final price. Widespread European interest, too, was seen on the early exchanges and trading took place up to 2.1210. At these levels, the first professionals were tempted to take profits and, before long, with the dollar easing too, commercial sellers were drawn in. Sterling fell swiftly to 2.1115 and later to 2.1080 before a trading range was established a little over 2.11. Some active two-way business took place around this level. Americans returned from a long weekend as small sellers but, as the pound weakened, so the offerings increased; sterling fell away to 2.1025 before closing at 2.1057. Forward margins widened, the three months' to 15/16% p.a. discount. This left an intrinsic discount of 3/16%.

The pound lost $\frac{1}{4}\%$ to the Swiss franc (3.50 $\frac{1}{2}$) and rather less to the French franc (8.86 $\frac{1}{2}$) and deutschemark (3.78 $\frac{1}{2}$). The dollar closed generally a little easier than yesterday, while well below today's best levels. The deutschemark was 1.7964 (after 1.8042), the Swiss franc 1.6635 (after 1.6742) and the French franc 4.2082 (after 4.2275). The EMS finished at 1 $\frac{1}{2}\%$ in width between the lira (832.50) and Belgian franc (29.08). The punt (2.0570) stood at 2 $\frac{1}{4}\%$ discount on sterling, the Irish having sold \$11 mn. and pounds worth \$6 mn. In Tokyo, the Bank of Japan gave up \$466 mn. in defence of the yen which closed there at 246.70. In London it eased to 247.37.

Gold opened easier, following the US move on Iranian oil, and traded in a narrow range through the day. Fixing levels were \$388.00 and \$387.20.

Operations:	Market	- \$27 mn.
	PSB:	
	British Air	+ 99
	SSEB	+ 150 + 249
	Interest	+ 17
	Iran	+ 10
	Sierra Leone	+ 7
	Government	+ 7
	Iraq	+ 6
	South Africa	- 11
	Sundries	+ 2
		<u>+ \$260 mn.</u>

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