

SECRET

MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 20th November 1979

Sterling ended another untidy day 0.2 lower in effective terms at 69.6 after 69.3 at noon. The dollar swung about but closed higher in most centres.

A commercial selling order which surfaced in late trading yesterday may have washed through New York, where sterling closed at 2.1778 after some support. The pound opened much higher today, at 2.1855, but slipped back over the morning against a generally better dollar. Selling was persistent if not heavy. The rate touched 2.1570 before recovering to 2.1625 at noon. The day's first story from the Middle East - that other OPEC members do not plan to follow Iran's call to abandon the dollar as a pricing unit and transactions currency - had helped the dollar, but the second, in the early afternoon, to the effect that Iran will no longer take dollars in payment for oil, caused it to weaken, and with support from early New Yorkers the pound climbed to 2.1782 before closing at 2.1735. Trouble between Zambia and Rhodesia was another unsettling influence on an unsteady market. Once again sterling met some pressure in late trading. The cost of cover edged up to 1½%, but sterling's intrinsic premium on the usual 3-months' comparison held steady at 5/16%.

Sterling eased back against the mark (3.83½) and the French franc (8.99½), but at 3.57½ was little changed in Switzerland. The mark closed at 1.7640, having ranged between 1.7585 and 1.7705. The Swiss franc weakened to 1.6445; the SNB sold another \$28 mn.-worth of marks as their cross-rate weakened to SF 0.93½. The French franc, on the other hand, closed stronger at 4.1365, remaining top of the EMS 1½% above the Belgian franc (28.61). The Dutch spent \$42 mn.-worth of marks to keep their guilder a whisker off the bottom at 1.9710. The lira was steady at 823½. The punt rose to 2.1015, a 3½% discount on sterling. Although weaker, at 245.70 in Tokyo and 245.92 in London, the yen was calmer than of late, and the Bank of Japan kept out of the market for the second day running.

Gold was quiet, fixing at \$389 and \$387½.

Operations:	Market	- \$38 mn.
	Sundries	+ 5
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		- \$33 mn.
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