

SECRET

MR. McMAHON

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 23rd November 1979

Another relatively inactive day's trading found sterling under some pressure from a handful of commercial sellers. The ERI fell from 69.6 to 69.2.

The pound opened at 2.1672 and tended easier from the start in the face of a modestly better dollar. Two sizeable commercial sellers commanded attention for much of the morning and sterling sagged to 2.1532 at one point. Some recovery took place around midday as the dollar went into reverse. This afternoon saw little increase in volume and American interest seemed non-existent. The pound was propped by one useful buying order but, for all this, could not better 2.1630 and by the close, it had retreated again to 2.1597. Euro-dollars continued to soften markedly and forward margins widened further, the three months' to 2½% p.a. discount. This gave sterling an intrinsic premium of 5/16%.

The pound lost ¼% to the Swiss franc (3.56¼), ½% to the French franc (8.92¼) and ¼% to the deutschemark (3.80¼). These were all little changed against the dollar at 1.6520, 4.1340 and 1.7615 respectively. The French franc and Danish krone (5.1907) vied for hegemony in the E.M.S, with the latter holding sway at the close, 1¼% above the Belgian franc (28.55). The punt (2.0995) stood at 2¼% discount on sterling. With Tokyo closed, the yen weakened in London to 249.62.

Gold was a dull market, easing this morning and recovering a little later in the day. Fixings were \$390.15 and \$392.

Operation:	Market	-\$46mn.
	India	+ 22
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		-\$24mn.
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Overnight: +\$3mn.

JGH 23 November 1979.

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