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FOREIGN EXCHANGE AND GOLD MARKETS*Friday, 30th November 1979

Sterling met some demand this morning, as short positions were covered at the month-end, and stayed relatively firm all day. Developments on the Iranian front continued to unsettle the dollar and the EMS struggled to stay intact following the 5% devaluation of the Danish krone. Sterling's ERI rose to 69.9.

The pound closed at 2.1870 in New York yesterday and opened at 2.1932 this morning with the dollar on a weaker tack. Having touched 2.1912, sterling met some good demand on the early exchanges where some operators, who had previously sold on the industrial unrest, were forced to cover for the end of the month. 2.2035 was paid for pounds at one stage but, with this flurry blown out, sterling receded towards opening levels and traded uneventfully around 2.1950 for much of the day. Late in the session, as the dollar eased again, sterling picked up to close at 2.1980 and business was seen at 2.2010 in the after hours. Eurodollar and sterling deposits hardened further and forward margins continued to narrow. Three months' cover cost 2 5/16% p.a. and sterling's intrinsic premium remained at 1/2%.

The pound lost 1/8% to the Swiss franc (3.52 1/2), gained 1/8% on the French franc (8.93 1/2) and was unchanged on the deutschemark (3.80). The Swiss announced suspension of the negative interest requirement and their franc firmed to 1.6035 (0.92 1/2 to the DM). The deutschemark strengthened to 1.7289 and the French franc to 4.0660. The French took in \$15 mn. The EMS was well-stretched for most of the day. Following the 5% devaluation the Danish krone went to the top of the band - closing at 5.3475 - and the Danes bought \$176 mn. and \$21 mn. equivalent of Belgian francs. The Belgian franc (28.18) at the tail was supported by official sales of \$52 mn.-worth of Danish kroner. Elsewhere in Scandinavia, the Norwegians raised Bank Rate by 2% to 9% and the Swedes lost \$73 mn., while declaring that the krone's value would remain unchanged. The punt (2.1307) remained at 3% discount on sterling. The yen closed at 249.50 in Tokyo and 249.42 in London. The Japanese sold \$153 mn. this morning.

Gold was considerably firmer on Iranian developments. Fixings were \$417.20 and \$415.65.

Operations:	Market	+ \$45 mn.
	Netherlands	+ 10
	Government	+ 6
	Sundries	+ 8
		<u>+ \$69 mn. (of which \$6 mn. for</u>
		<u>November)</u>
	Overnight	<u>- \$7 mn.</u>

The result for November shows a reserve loss of \$81 mn. to a level of \$22,417 mn., after net public sector debt repayments totalling \$88 mn. The overbought forward position was reduced by \$339 mn. to a level of \$619 mn.

Jm
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