

SECRET

MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETS

Thursday, 6th December 1979

Markets marked time today, the dollar giving a little ground overall, while consolidating recent gains. Sterling met selling pressure this morning but was well bid this afternoon and finished the day in fine fettle. The ERI rose to 69.5.

The pound closed considerably firmer at 2.1875 in New York, where the dollar was generally somewhat easier. This morning sterling opened at 2.1847 and, despite the dollar's softer tendency, traded around that level for some time. Eventually a sizeable seller made his presence felt and the pound declined to 2.1790. With this clear, however, the market stabilised again around opening levels into mid-afternoon, when sterling was bid up on small general demand to a closing level of 2.1895. Three months' forward cover cost 2½% p.a. and sterling's intrinsic premium was reduced to 1/16%.

The pound gained ¼% on the French franc (8.95) and rather less on the Swiss franc (3.50%) and deutschemark (3.80%). These all firmed against the dollar to 4.0877, 1.6012 and 1.7383 respectively. The EMS closed fully stretched between the Danish krone (5.3962) and Belgian franc (28.44). The Danes bought \$12 mn.; the Belgians sold \$5 mn.-worth of kroner. The punt (2.1222) was at a discount of 3¼% on sterling. The yen closed at 246.30 in Tokyo and 243.15 in London.

Gold was very much firmer, although yesterday's IMF auction, which set an average price of \$426.37 for 444,000 fine ounces, was no more than in line with prevailing levels. Today's fixings were \$434.50 and \$433.75.

Operations:	Market	+ \$30 mn.
	PSB G'teed:	
	Post Office	+90
	Nat. Water Council	+ 8
	Iraq	+ 15
	Interest	+ 15
	Kenya	+ 7
	EEC	- 21
	Sundries	+ 2
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		+\$146 mn.
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