

SECRET

MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETS

Tuesday, 11th December 1979

Events on the exchanges were of little moment today. The dollar tended weaker; sterling mirrored this and improved somewhat. The yen gyrated wildly, for the better on balance. Gold set new records. Sterling's ERI recovered to 69.1

The pound closed a good deal better at 2.1792 yesterday in New York where the dollar was already on an easier tack. This morning, with dealers tending to focus on the prospect of higher OPEC prices, the dollar moved lower again (after an initial modest uplift). Sterling began at 2.1755, moved uncertainly across the opening exchanges, then crested 2.18 in a thin market behind one solitary Continental buyer. The pound spent a quiet morning around 2.1850, with 2.1880 paid at one stage. The afternoon was little different. The banking figures had no marked impact. Sterling tended firmer as the dollar eased further and 2.1885 was seen before the pound closed at 2.1880. Forward margins narrowed, the three months' to 2 5/16% p.a., and sterling's intrinsic discount fell to 1/16%.

The pound was fractionally firmer in Paris (8.92½) and a touch easier in Frankfurt (3.79¼) but lost ¼% to the Swiss franc (3.49¼). The major currencies were all considerably firmer against the dollar, the deutschemark at 1.7362, the Swiss franc at 1.5965 and the French franc at 4.0787. The Belgians sold \$51 mn., although their franc (28.32) was less than 2% from the French franc, which replaced the Danish krone at the head of the EMS. The punt (2.1210) was a little over 3% discount on sterling. The yen touched 229 in Tokyo this morning but closed at 236 and the Bank of Japan sold \$30 mn. (net). In London, the yen firmed to 231 at one stage before closing at 233.10.

Gold had a firm undertone all day. Each fixing set a new record high with levels of \$442.75 and \$445.50.

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|-------------|-----------|-------------------|
| Operations: | Market | + \$69 mn. |
| | Interest | + 5 |
| | Sundries | - 1 |
| | | <u> </u> |
| | | + \$73 mn. |
| | | <u> </u> |
| | Overnight | + \$13 mn. |
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