

MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 12th December 1979

The spectre of a 30% rise in oil prices began to haunt the dollar last night and engage the Fed in another seance of intervention. Gold rose yet higher. The pound floated up and the ERI went to 69.5.

In New York early last night sterling was in modest demand and rose to 2.1980 before closing at 2.1955. In London it opened brightly and moved from 2.1969 to 2.2045 before reverting this afternoon to opening levels - mainly on a generally improved dollar - and closing at 2.1953. Forwards narrowed again but Eurodollar rates moved steadily upwards, increasing sterling's intrinsic discount to 1/8% p.a.

In Europe the pound rose by about 1/8%: to 3.81 1/2 in Germany, 3.50 1/2 in Switzerland and 8.94 1/2 in France. Although the dollar finished the day little changed compared to last night, the Fed bought \$75 mn. last night and some \$160 mn. in Middle East markets this morning; the Germans bought \$75 mn., the French \$50 mn. The deutschemark closed at 1.7367, after 1.7252 this morning. The Belgian franc required only \$2 mn. of support as it firmed to 28.27 (after 28.11); it was 1 1/8% away from the French franc (4.0750). The Swiss franc's movements reflected those of the deutschemark: it improved early on to 1.5870 but closed at 1.5985. In Tokyo the Japanese sold \$11 mn. as the yen weakened to 237.30. It moved lower in London, closing at 238.20.

Gold was quoted at \$452 in Hong Kong but attracted sellers in London at the \$450 level. Fixings were at \$449.75 (a record) and \$446.25.

Operations:	Market	+ \$24 mn.
	IDA	+ 7
	Uganda	+ 7
	France	- 18
	Bangladesh	- 8
	Sundries	+ 5
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		+ \$17 mn.
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