

SECRET

MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 17th December 1979

The dollar was sold in New York on Friday following news of the hostilities between Iraq and Iran and was depressed again in the Far East this morning after Libya's announcement of an increase in the oil price. In Europe, however, the dollar traded fairly comfortably until this afternoon, when the softer tone emerged again. Sterling was firm, though quiet. The ERI eased to 69.7.

The pound closed at 2.2087 on Friday in New York where the dollar was very weak. This morning it opened at 2.2050 but soon eased back as the dollar recovered ground and, when Swiss selling hit the market, the pound traded down to 2.1965. Short-covering brought a rebound and sterling settled around 2.20, where it seemed to trade quietly for the rest of the day, closing at 2.2012. There was, however, at least one very large commercial selling order which was comfortably absorbed. Forward margins narrowed, the three months' to 1 11/16% p.a. discount. Sterling commanded an intrinsic premium of 1/8%.

Sterling lost 1/8% to the Swiss franc (3.53%) and 1/8% to the French franc (8.95%) but was only a shade easier against the deutschemark (3.82%). These all firmed against the dollar to 1.6070, 4.0682 and 1.7375 respectively. The French franc closed again at the head of the EMS, a little over 2% distance from the Belgian franc (28.27). The Belgians sold \$2 mn. and French francs worth \$7 mn. The punt (2.1292) stood at 3 1/4% discount on sterling. The Irish sold \$8 mn. and sterling worth \$18 mn. The yen closed at 239.60 in Tokyo, where the Japanese bought \$30 mn., and 238.60 in London.

Gold set new records at each fixing. The trend this morning was uncertain and the price was fixed at \$460.60. This afternoon, however, the metal was bid up rapidly to \$474 before profits were taken. The fixing set a level of \$469.50 and the price finished around that mark.

Operations:	Market	+ \$9 mn.
	National Coal	
	Board	
	(PSB G'teed)	+100
	Saudi Arabia	+ 36
	New Zealand	+ 11
	EEC	- 11
	Sundries	+ 5
		<u>+ \$150 mn.</u>

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