

SECRET

MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 19th December 1979

Otherwise dull markets were enlivened to-day only by the glister of gold, which came close to \$500 this morning. Sterling drifted a little firmer, the ERI creeping up to 69.7.

The New York market was inactive last night and the pound ended there at 2.20. It opened in London at 2.2010 this morning and although marked down early on to 2.1970 there was no more business transacted during this movement than there was in the subsequent recovery to the close of 2.2045 (after 2.2050). With forward margins widening to compensate for a slight softness in Eurodollar rates, the covered differential remained at 3/16% p.a. in London's favour.

Sterling had mixed fortunes in Europe: it was a little firmer in Germany at 3.81 11/16, but lower in France (8.92 13/16) and Switzerland (3.53%). The French and Danish currencies jockeyed for the lead in EMS with the franc ending the day in top position at 4.05 - 2 1/16% firmer than the Belgian franc, which closed at 28.15. No intervention was necessary, though the Irish sold £10 mn., the punt ending about 3 1/2% discount on sterling, at 2.13 1/2. The deutschemark closed at 1.7315; the Swiss franc at 1.6040; the yen at 239. The dollar was thus a little weaker by the close, having had a steady morning at better levels.

Gold traded as high at \$496 this morning in early European dealings but eased to a new fixing record of \$494. The market was described as nervous and tending to move without much business. The silver price then weakened, encouraging early New York selling of gold which eased at the second fixing to \$488.50.

Operations:-

Market	+ \$10 mn.
India	+ 22
Iraq	+ 22
Denmark	+ 5
Sundries	+ 4
	<hr/>
	+ \$63 mn.
	<hr/>

DAHB
20th December 1979.

DAHB