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MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 21st December 1979

At first the pound was very actively traded in London, but suddenly a Christmas peace descended. Business was mainly commercial. The dollar had a steady day on balance. Sterling's ERI was unchanged at 69.5.

Rather small orders to sell were enough to cause the pound to weaken in New York last night, where it closed at 2.1972. In London today it started at 2.1990, rose 5 points and then eased on commercial selling to 2.1935. At this level buyers were drawn in and by noon the rate had managed to recover to 2.1960. Although easing again to 2.1930, it ended at 2.1970. With Eurodollars and sterling interbank rates firming just a shade, the covered premium in London's favour remained at 1/8 p.a.

General speaking, sterling was little changed in Europe. The dollar at first strengthened in a very thin market but fell back later. The mark closed at 1.7375 (after 1.7430). In EMS the Belgian franc was brought under pressure again: it closed at 28.29 after the expenditure of \$48 mn. and French francs equivalent to \$20 mn. The latter currency led the system (2 1/8% wide at the end) at 4.06. The French bought \$12 mn. of Belgian francs and \$17 mn. Although the Danish krone (5.3777) was fairly close to the French franc, the Danes sold \$17 mn. In Dublin, the Irish sold £11 mn. The punt eased nearly a cent to 2.1230, being a closing discount on sterling of 3 1/8%. The yen lost yesterday's gains and closed in Tokyo today at 239. It improved a little in London, on no real business, to 238.60.

Continental dealers expressed no interest in gold trading today. They had, perhaps, already squared their books for the year. The price had eased in New York last night but it moved up again in Far East markets early this morning. London fixings were at \$474.90 and \$473.10. It rallied later in New York to \$478.

Operations:	Market	+ \$5 mn.
	Nigeria	+ 48
	Interest	+ 21
	IDA	+ 9
	France	+ 5
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		+ \$88 mn.
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