

SECRET

MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 24th December 1979

A silent day to precede the silent night. Very few centres were open, very few dealers willing to quote. The news that Iran was trying to withdraw deposits from United Kingdom-based banks and branches had no effect. Indeed, the pound strengthened on what little business took place and the ERI had risen to 69.8 at noon, when London closed down.

Having ended in New York on Friday evening at 2.2037, the pound opened in London today at 2.2020, immediately eased 10 points but then rose steadily to close at 2.2080. Forward margins widened a touch as eurodollars hardened. The cost of three months' cover rose to 1 15/16%: with eurodollars at 15% and interbank sterling at 16 13/16%, the covered differential moved to 1/2% p.a. against London.

In Europe the pound was a little softer in terms of the deutschemark (3.81 7/16) and the Swiss franc (3.52 1/2) but better in terms of the French franc (8.94 13/16). The dollar itself drifted lower, closing at 1.7275 against the deutschemark. The EMS was nominally a full 2 1/2% wide between the Danish krone (5.35) and the Belgian franc (28.21). The Swiss franc improved to 1.5950 whilst the yen was steady at 238.45.

Gold recovered in Far East markets on Saturday morning and was quoted as high as \$492 there this morning. It opened in London at \$489 but a persistent selling interest saw the only fixing today take place at \$485.90.

Operations:	Market	+	\$2mn.
	New Zealand	+	6
		+	\$8mn.
			<u>          </u>

	Overnight	+	\$9 mn.
			<u>          </u>

24th December 1979.  
DAHB

*LAHB*