

G.P.S.

Copies to: Mr. McMahon o/r
Mr. Sangster o/rFOREIGN EXCHANGE AND GOLD MARKETS24th - 31st December 1979

The exchanges have been generally quiet ahead of the year-end. Sterling met modest demand before and during the holiday but on the 27th, a spate of small commercial orders lifted the pound to 2.2475 at one stage. Profit-taking brought a reaction the following day and, following confirmation of a steel strike, sterling had retreated to 2.2210 by this morning. At noon today the rate was 2.2240. Over the period the ERI has risen from 69.5 (21st December close) to 70.1 (noon today) after touching 70.5 on Thursday and Friday.

The dollar was soft for much of the period on commercial selling in the United States itself but picked up a little in the last day or two following official support from the Federal Reserve (\$190 mn.). Elsewhere official sales and purchases of dollars were approximately offsetting.

The E.M.S. was often fully-stretched between the French franc and Belgian franc. The French bought \$93 mn. and Belgian francs worth \$20 mn. The Belgians sold \$149 mn. and French francs worth \$88 mn. The deutschmark firmed from 1.7375 to 1.7270 (after 1.7150); the Bundesbank bought \$85 mn. but sold \$133 mn. in cover of capital exports.

Elsewhere, the Swiss franc advanced from 1.6065 to 1.5845. The Swiss took in \$53 mn. The yen was featureless, closing a touch easier at 239.35. The Scandinavian currencies were under pressure at times and the Norwegians spent \$146 mn. and the Swedes \$109 mn.

Gold set new records by the day, breaching \$500 on the 26th in New York. Thereafter, Middle East demand and others' general reluctance to sell drove the metal to \$529 this morning before the fixing which set a level of \$524.

The result for December was a reserve increase of \$300 mn. to a level of \$22,717 mn., after net public sector debt repayments of \$70 mn. and repayments of \$121 mn. under the North American loans. The overbought forward position was increased by \$137 mn. to \$756 mn.

Jm
31st December 1979.

J.G.H.