

MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETSFriday, 11th January 1980

A very quiet and inconsequential end to the week saw all currencies steady. Sterling's ERI was slightly higher at 71.0. Gold, however, showed a firmer tendency.

With the dollar hardening generally in New York yesterday, sterling met some substantial selling and closed at 2.2522. This morning it opened at 2.2535 and, as the dollar failed to hold its best levels, began a steady advance. Some modest professional appetite from Continental Europe took sterling to 2.2615 before a trading range was established around 2.26. The afternoon was dull. The pound touched 2.2618 early in the session but eased back to close little changed at 2.2572. Forward margins widened as sterling deposit rates firmed. Three months' cover cost 2 5/16% p.a. and sterling's intrinsic premium remained at 1/8%.

The pound regained a little ground in France (9.09%), Switzerland (3.56%) and Germany (3.88). The dollar finished a touch firmer in these centres; the deutschemark was 1.7187, the Swiss franc 1.5790 and the French franc 4.0295. The Belgian franc (27.92) narrowed the gap on the French franc in the EMS to 1 1/4% after sales by the National Bank of \$47 mn. Elsewhere the Bundesbank took in \$38 mn. and the Dutch \$6 mn. of marks. The Irish sold £7 mn. as the punt (2.1467) slipped to 4 3/8% discount on sterling. The yen remained steady, closing at 235.80 in Tokyo and 235.90 in London.

Swiss demand for gold this morning sparked a gradual rally in the price, which was fixed at \$610 and \$623. The rumoured closure by Sadat of the Suez Canal to Soviet ships was cited as a factor.

|             |           |                   |
|-------------|-----------|-------------------|
| Operations: | Market    | + \$3 mn.         |
|             | India     | + 23              |
|             | Ireland   | + 23              |
|             | Interest  | + 6               |
|             | BIS       | - 7               |
|             | Sundries  | + 3               |
|             |           | <u>+ \$51 mn.</u> |
|             | Overnight | <u>+ \$7 mn.</u>  |

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JGH