

MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETSThursday, 24th January 1980

Little of significance transpired on either the exchange or gold markets today. Sterling met reasonable two-way volume and traded gradually higher over the day. With the dollar improving a touch, sterling's ERI rose to 72.1.

The pound closed quietly at 2.2775 in New York yesterday and opened at 2.2763 this morning. After touching 2.2740 on the early exchanges, it soon firmed as a large Swiss professional displayed an appetite for pounds. This may have been on gilt-edged account, but there was otherwise no evidence of overseas interest in buying sterling for the tap stocks. Sterling ran up to 2.2825 before establishing a narrow trading range around 2.28. A reasonable volume of two-way commercial business ensued. This afternoon was generally quieter with little US interest but late in the day sterling perked up to close at 2.2830. Forward margins widened again as sterling deposits firmed following the exhaustion of the long tap stock. Three months' cover cost 2 15/16% p.a. and sterling held an intrinsic premium of 1/8%.

The pound gained 1/8% against the Swiss franc (3.66%), deutschemark (3.95) and French franc (9.25%). These all lost a little ground to the dollar, closing at 1.6057, 1.7297 and 4.0530 respectively. The EMS remained around 1% in width between the French franc and Belgian franc (28.11). The Belgians sold \$10 mn. and the Danes sold \$5 mn. while the French bought \$10 mn. and the Dutch took in deutschemarks worth \$6 mn. The yen eased to 238.35 in Tokyo and 238.85 in London.

Gold had a much quieter day. After firming this morning on some London-based demand, the price was fixed at \$712. This afternoon saw little movement - the metal was fixed at \$717 - until late in the day when the price retreated to opening levels. The torpor was partly due to the early closure of the Swiss market, where bankers chose to catch up on a large backlog of paperwork.

Operations:	Market	+ \$23 mn.
	Iran	+ 5
	BIS	- 13
	South Africa	- 12
	Sundries	- 1
		<hr/>
		+ \$2 mn.
		<hr/>

Overnight	- \$11 mn.
	<hr/>

Jm  
24th January 1980.  
JGH