

MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETSFriday, 25th January 1980

A very quiet end to the week was played out until late in the day when the dollar firmed on interest-rate considerations and sterling was sold quite forcefully from the United States. The ERI fell to 71.9.

The pound closed at 2.2760 yesterday in New York, where some selling was seen, and opened at that level this morning. Modest professional demand took sterling up to 2.2816 but, in the absence of any follow-through, profits were quickly taken and a narrow trading range was established a little below 2.28. The rest of the morning was quiet. Once Americans returned, the dollar began a slow advance and sterling gently declined. The movement accelerated as the day wore on - gaining momentum from Citibank's increase in Prime Rate to 15½% - and the pound closed at 2.2745. Later, however, small but widespread offerings of pounds developed in the US and sterling fell away quickly to 2.2652. Forward margins narrowed as comparable transatlantic interest rates converged. Three months' cover cost 2 11/16% p.a. and a small adverse covered differential prevailed.

Sterling was unchanged in Switzerland (3.66%) but lost ¼% in France (9.23%) and Germany (3.94%). The Swiss did not support their franc (1.6122) although the DM cross-rate closed around SF 0.93. The deutschemark eased to 1.7333. The French franc (4.0590) and Belgian franc (28.16) continued to span the EMS, still 1½% apart. The Belgians sold \$41 mn. and the Danes lost \$15 mn., while the Irish took in \$15 mn. and the Dutch bought deutschemarks worth \$14 mn. The yen was a little easier, closing at 239.25 in Tokyo and 239.55 in London.

Gold was quiet and steady this morning at levels a little below those of yesterday. The price was fixed at \$691.50. This afternoon, despite the absence again of the Swiss, the fixing was active and the metal fell away before the advancing dollar to fix at \$668.

Operations:	Market	- \$65 mn.
	National Water Council	+ 7
	(PSB G'teed)	
	Government	- 5
	Sundries	+ 4
		<u>- \$59 mn.</u>
	Overnight	<u>- \$20 mn.</u>

25th January 1980.  
JGH