

MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETS

Monday, 28th January 1980

Sterling traded comfortably through most of the day, albeit at considerably cheaper levels than those of last week. Once again, however, the pound was heavily sold late in the day, this time from Chicago, and was dealt down to its lowest levels for three weeks. The ERI fell to 71.6.

The pound fell 1½ cents in New York on Friday to close at 2.2600. This morning it opened at 2.2607 and slipped to 2.2590 on selling from Continental Europe. This did not persist, however, and modest demand from a Swiss source soon sent sterling back up to 2.2647. The opening exchanges thus set the trading range for the day. Some good, two-way business was seen in mid-morning but thereafter the market calmed again until late afternoon when sterling once more eased to close at 2.2620. The Chicago IMM had already been seen as sellers but, as the pound later slipped through 2.26, they unleashed a considerable volume, driving sterling down by 1½ cents to 2.2460 at one stage. Forward margins widened a little as sterling deposits hardened. Three months' cover cost 2 13/16% p.a. and this produced interest parity on the usual comparison.

The pound lost almost ¼% in Germany (3.92½) and Switzerland (3.65) and nearly ¾% in France (9.17½). The deutschemark closed a little easier against the dollar at 1.7350. The Swiss franc, by comparison, was somewhat weaker at times and the National Bank sold \$50 mn. to bring the DM cross-rate back to SF 0.93. Against the dollar, it closed at 1.6137. The French franc, however, was comparatively firm, improving slightly to 4.0575 on the dollar and 2.33¼ to the DM. As a result, it widened the distance over the Belgian franc (28.17) in the EMS to nearly 2% and the French took in \$40 mn. while the Belgians sold \$64 mn. and the Danes sold \$21 mn. The yen eased to 240.20 in Tokyo, recovering slightly to 240.05 in London.

Gold was sharply lower from the outset this morning but thereafter traded steadily. Fixings were \$629 and \$624.

Operations:	Market	-	\$48 mn.
	IDA	+	26
	Ireland	+	23
	India	+	11
	Interest	+	9
	Iran	+	5
	Sundries	+	1
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		+	\$27 mn.

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