

MR. McMAHON.

FOREIGN EXCHANGE AND GOLD MARKETSWednesday, 30th January 1980

Sterling traded comfortably after an unsteady start, receiving a fillip during the afternoon from nebulous reports that the steel strike would soon be settled. The ERI rose 0.3 to 71.7. The dollar showed little change on balance despite disappointing trade figures.

Sterling rose a cent in New York to close at 2.26½ against a generally weaker dollar. 2.2631 was the opening rate this morning but early selling, possibly stemming from the Middle East, brought a prompt retreat to 2.2577. The weakness was short-lived, however; positions were quickly turned and the pound then traded around the opening level until early afternoon. New Yorkers were inclined to buy, apparently on a rumour that the steel strike was near settlement, and sterling rose to 2.2670. A brief reversal saw the rate back to 2.2592 before a firm close at 2.2655. Sterling deposits hardened again, this time outdoing the cost of cover (which rose to 3¼%); a small intrinsic premium of 1/16% re-emerged.

The pound gained in the main Continental centres, to 3.93¼, 9.20¼ and 3.67¼ against the mark, French and Swiss francs respectively. The dollar was only temporarily discomfited by the disappointing trade figures published last night, partly perhaps because German results for December put out today also fell short of expectations. After a stronger start, the mark closed unchanged at 1.7357. The Bundesbank bought \$9 mn. The French franc closed at 4.0630, much as last night (after 4.0537 this morning); the Bank of France bought \$35 mn. and an equivalent amount of marks. The franc remained top of the EMS at 1¼% above its Belgian neighbour (28.19 and 71 divergent). The Belgians kept out of the market, but the Danes gave their crown (5.4250) another \$39 mn. of support. The lira firmed to 806.75; the Irish pound also improved (to 2.1317) but only after \$13 mn. of support. The Swiss franc, at 1.6207, went to SF 0.93¼ against the mark, the Swiss National Bank sold \$10 mn. The yen closed steady at 239.35 in Tokyo and then at 239.25 in London.

Gold opened around \$719, well above Tuesday's level, but traded down over the day. The fixings were at \$703½ and \$691.

Operations:	Market	+ \$9 mn.
	Iran	+ 25
	Government	+ 16
	Interest	+ 7
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		<u>+ \$55 mn.</u>

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