

SECRET

MR. McMAHON

FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 8th February 1980

The breakdown of the steel talks took the steam out of sterling today and this in turn fuelled a modest improvement for the dollar. Having risen to 73.0 this morning, sterling's ERI closed at 72.8.

The pound closed quietly at 2.3025 in New York yesterday. This morning it opened at 2.3020 and traded without feature on the opening exchanges in a narrow range around the opening level. Later a burst of buying from London and the Middle East took sterling up to 2.31 but, with this completed, the rate drifted back to opening levels by midday. The breakdown of the steel talks brought an immediate mark down to 2.2960 and, although there was a quick recovery to 2.3010, selling from New York drove sterling down to 2.2930. Thereafter, the rate swung widely topping 2.30 again more than once before closing at 2.2976. Forward margins widened slightly, the three months' to 3¼% p.a. discount. Sterling's intrinsic premium was 1/16%.

The pound was unchanged against the deutschemark (4.00) and French franc (9.36%) but gained ¼% against the Swiss franc (3.72½). These all eased against the dollar to 1.7410, 4.0782 and 1.6216 respectively. The lira (806.92) replaced the French franc at the head of the EMS, 1 15/16% above the Belgian franc (28.27). The Danish krone (5.4457) again suffered weekend pressure and the Danes sold \$60 mn. The yen eased to 240.85 in Tokyo and further to 241.50 in London.

Gold opened lower than yesterday and gradually recovered to yesterday's levels. Fixings were \$688½ and \$692.

Operations:	Ireland	+ \$23 mn.
	Kenya	+ 10
	Sundries	+ 2
		<u>+ \$35 mn.</u>

*JGH*  
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