

MR. McMAHON

FOREIGN EXCHANGE AND GOLD MARKETSMonday, 11th February 1980

Volume was reduced somewhat today in view of tomorrow's holiday in the United States. Sterling traded steadily for the most part, although the Wholesale Price Index was disappointing. The dollar was a little easier. Sterling's ERI rose to 73.0, after 73.2 this morning.

The pound closed better at 2.3012 in New York on Friday. This morning it opened firmer still at 2.3070 and rose to 2.3092 in the early exchanges on some Swiss and Scandinavian interest. Some good two-way business was seen at one stage this morning but business was otherwise subdued and sterling traded around opening levels into the afternoon, supported by one large order on oil company account. The CGBR had little impact but the WPI was not well received and sterling fell to 2.3012. There was little selling, however, and the pound soon recovered to close at 2.3045. Both dollar and sterling deposits were firmer, the latter more so, and the cost of three months' cover rose to 3 3/16% p.a. in consequence. Sterling retained an intrinsic premium of 1/16%.

The pound was little changed against the Swiss franc (3.72 $\frac{3}{4}$ ) but put on almost  $\frac{1}{4}$ % against both the deutschemark (4.00 $\frac{1}{2}$ ) and French franc (9.38 $\frac{1}{4}$ ). The dollar was generally a little softer: the deutschemark closed at 1.7387 and the Swiss franc at 1.6160. The lira (806.17) retained primacy in the EMS, which narrowed in width to 1 13/16%. The Belgians sold \$36 mn.-worth of French francs to support their own franc (28.22) which continued to prop up the band. The Danes, too, sold \$15 mn. The yen closed little changed at 241.33; Japanese markets were closed.

Though generally firmer, gold showed no certain trend but was swayed by conflicting rumours on Iran and Afghanistan. Fixings were \$714.50 and \$710.50.

Operations:	Market	+	\$72 mn.
	Iran	+	20
	IDA	+	17
	Sundries	+	1
			<hr/>
			+ \$110 mn.
			<hr/>

11th February 1980.

JGH