

MR. McMAHON

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 13th February 1980

A day of little consequence on the exchanges saw most currencies trading in a fairly narrow range. Sterling's ERI rose to 73.0.

Although New York was closed yesterday, the Chicago IMM traded sterling quite actively. Having sold the currency earlier, they returned to cover, following news of the increase in prices by BP, and paid up to 2.3180 for pounds. Sterling opened this morning, however, at 2.3060 and traded all day between 2.3037 and 2.3082. The Swiss showed modest buying interest this morning, as did Chicago this afternoon, offsetting any weakness which may have arisen from the marked downturn in sterling deposit rates. The closing level was 2.3062. Three months' sterling deposits were easier by over $\frac{1}{8}$ % in the wake of the Bank's announcement of a sale and repurchase facility for the clearing banks. Forward margins narrowed in consequence - the three months' to 3 $\frac{3}{16}$ % p.a. discount - but this left a covered differential of $\frac{1}{8}$ % against London.

The pound lost $\frac{1}{8}$ % to the Swiss franc (3.71%) but was unchanged against the deutschemark (4.00%) and French franc (9.37%). These all firmed on the dollar to 1.6112, 1.7361 and 4.0647 respectively. The EMS narrowed to $\frac{1}{8}$ % between the French and Belgian francs. Within the band, the guilder (1.91) improved and the Danish krone (5.4350) weakened. The Dutch took in \$15 mn. and deutschemarks equivalent to \$14 mn., while the Danes sold \$70 mn. and French francs equivalent to \$25 mn. The French bought \$35 mn. Elsewhere, the Norwegians spent \$30 mn. and the Japanese \$70 mn. The yen closed at 241.90 in Tokyo and 242.05 in London.

Gold, too, moved narrowly. The fixings, however, were quite active and set levels of \$695.50 and \$696.75.

Operations:	Market	+ \$14 mn.
	India	+ 23
	Interest	+ 18
	Government	+ 10
	South Africa	- 23
	Bangladesh	- 11
	Sundries	+ 6
		<hr/>
		+ \$37 mn.

13th February 1980
JCH