

RA

PRIME MINISTER

TODAY'S MARKETS

I had a word with Eddie George just after your return this afternoon to check the position in the markets.

The key points have been:

- The day started with considerable dollar strength against all currencies. The Japanese implemented their long-promised plan to raise their discount rate but, having been anticipated for so long, this had little effect. There was a modest round of concerted intervention, including some from the Germans, which we joined in; but the exercise was rather half-hearted so this too had little effect.
- In the early part of the day, our cross~~rate~~^{rate} against the DM was down only a little, at around DM 3.15, but this afternoon it has weakened and now (1540) stands at just DM 3.14.
- Eddie says that trading has been very thin, and the situation does not require urgent action. But he does find things worrying, and the Bank will be keeping a careful eye on the market overnight and first thing tomorrow morning with a view to possible intervention. We have not done any unilateral intervention so far. There is no sign of significant upward pressure on interest rates in the money markets.

Acc.

PAUL GRAY
30 May 1989
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