

PO-CH/NL/0250

PART A

Chex

PART A

Lawson

SECRET

(Circulate under cover and
notify REGISTRY of movement)



PO -CH /NL/0250



PART A

CHANCELLOR'S PAPERS ON
FOREIGN EXCHANGE
RESERVES AND
INTERVENTION IN
INTERNATIONAL MARKETS

DD: 25 years

[Signature]
27/9/95


Begin: 11/5/88

Ends: 3/10/88 (CONTINUED)

PO -CH /NL/0250

PART A

PART A



JAGUAR

Daimler



Jaguar plc

FROM THE OFFICE OF
THE CHAIRMAN AND CHIEF EXECUTIVE

Sir John Egan

Browns Lane
Allesley
Coventry CV5 9DR
England

Telephone: 0203 402121
Telex: 31622

11th May 1988

The Rt Hon Mrs Margaret Thatcher, MP
Prime Minister
10 Downing Street
LONDON SW1 A2AA

Dear Prime Minister

Thank you very much for inviting me to the dinner in honour of the Japanese Prime Minister; it was a thoroughly enjoyable evening and also encouraging because of the growing self-confidence and obvious sense of purpose of British industrialists. It is becoming clear that the growing Japanese investment in the UK, coupled with a more receptive attitude towards change on the part of British businessmen, could result in our being the first European country to really learn from the Japanese managerial revolution.

You were kind enough to ask how Jaguar was progressing. We are working hard to improve our business, but are currently under enormous threat from the exchange rates, particularly the relationship between sterling and the US dollar. Put simply, at today's rates of approaching \$1.90 to the £, and with current levels of efficiency, we would be trading at little better than break-even. Our hedging policy has given us a further 15 months of acceptable currency rates, at the end of which time we will have to have achieved a 50% increase in productivity in order to maintain satisfactory levels of profitability. Clearly an improvement of this magnitude will require radical changes in our business. Whilst the vast majority of our workforce understand this and are generally sympathetic to our ideas and objectives, their Trades Unions still drag their feet. In our recent campaign to improve productivity at our Browns Lane plant, the first action of the union movement was to ballot their members for a strike mandate on the basis that this would secure a stronger bargaining position. Against the background of a number of high profile disputes in the UK motor industry in the last few months, this action generated a lot of unwelcome publicity for us. Detailed discussions then followed, and we modified a number of our proposals in line with the views expressed by our employees who eventually accepted the position.

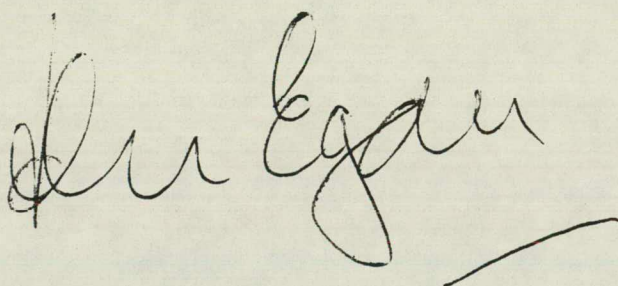
Registered Office
Browns Lane Allesley Coventry
CV5 9DR

Registered in England No 1672066

As a general principle, I believe that industrial relations legislation should specify that any ballot on strike action be conducted on a specific proposal, or set of conditions rather than be used as a form of open-ended bargaining counter for the unions before serious negotiations start. A Judge or Court could then order a re-ballot if conditions have materially altered.

I believe Britain's industrial renaissance is still a little fragile and many of the large exporters will need help on exchange rates for some time yet. We are striving to be world class but our system still slows down our ability to change rapidly enough if exchange rates move too quickly.

Yours sincerely

A handwritten signature in cursive script, appearing to read "Peter Egan". The signature is written in dark ink and includes a long horizontal flourish at the end.

BF to M



~~29/9~~

30/9

10 DOWNING STREET

~~Anoie~~

We spoke. Update on
the exchange rate please!

P.
cc Miss O'Mara

We spoke. V sorry
to humber ya with
this.

mpw.

So John EGAN

26/5

1) 7/6



KAYACE

CC HMTT

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

Adcl 12 May 1988

I enclose a letter dated 11 May from Sir John Egan, Chairman of Jaguar, to the Prime Minister. I should be most grateful if you could let me have a contribution to a draft reply covering the point Sir John raises in his penultimate paragraph concerning industrial relations legislation.

I should be grateful if Moira Wallace (Chancellor's office) could let me have a contribution on Sir John's comments on the exchange rate.

It would be helpful to have these contributions by Thursday 26 May.

(PAUL GRAY)

Nicholas Wilson, Esq.,
Department of Employment.

A handwritten signature, possibly 'R', located in the bottom right corner of the page.

Sir John Egan



27/9

ringing back

2) 14/6
3) 20/6
4) 25/6
5) 5/7
6) 12/7

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

Beverley Evans
213 5802/7

7) 19/7
8) 2/8

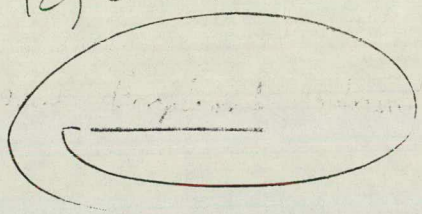
27 May 1988

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON SW1A 0AA

9) 2/8
10) 16/8
11) 6/9
12) 20/9

chased 8/7
+ again 1/8
+ 13/19

Dear Paul,



You sent me a copy of your letter of 12 May to Nicholas Wilson covering Sir John Egan's letter to the Prime Minister.

... I enclose a contribution on exchange rates for the Prime Minister's reply.

Yours,
Moir

MOIRA WALLACE
Private Secretary

Reminds:
To me pse
if no response
by 20/9.
JK 4/9

CONTRIBUTION TO LETTER FROM PRIME MINISTER TO SIR JOHN EGAN

"You also commented on the problems you faced because of the rise in sterling's exchange rate, particularly against the dollar. I do, of course, recognise your concerns. Since you wrote, we have cut interest rates by a further $\frac{1}{2}$ per cent, and I set out our policy fully in the House of Commons on 17 May."

CONFIDENTIAL

FROM: N P WILLIAMS
 DATE: 24 August 1988

1. MR PERETZ
 2. CHANCELLOR

cc Economic Secretary
 Sir G Littler
 Mr Scholar o/r
 Mrs Lomax o/r
 Mr Ilett
 Mr Gilhooly
 Miss O'Mara o/r
 Miss Noble
 Mr Watts o/r
 Mrs Ryding
 Mr Nelson
 Mr Hyett - TSol
 Mr O'Connor - I.R

24/8
cont. content?
Cont. - mpm 24/8

ECU TREASURY BILL PROGRAMME

The Bank have now worked up more detailed proposals for the ecu bill programme in the attached draft information memorandum which takes account of a number of our comments. Applications have been received from 13 UK banks to act as market-makers and, subject to your clearance, the Bank would like to use the attached draft as a basis for talks with a number of European and US banks next week. We may have further detailed comments on the memorandum, but we are broadly content with it as it stands and recommend that the Bank be allowed to proceed subject to making the amendment mentioned in paragraph 2(i) below. The Bank intend to be ready to publish a final memorandum by 16 September, before the informal ECOFIN.

2. The main points you might like to note are:

(i) tax - the Revenue have said that they do not propose to deduct tax at source. Since a commitment on future tax cannot be given the text will need to read "any taxes" rather than "any present or future taxes".

(ii) replacement currency - in the event that the ecu ceases to exist as the unit of account of the EMCF, holders of the bills may opt to receive the equivalent ecu amount of a replacement currency nominated by the Bank as Paying Agent. This means either the US dollar or a component currency of the ecu which is freely usable (ie sterling, the deutschemark or the French franc);

(iii) **method of tender** - this section sets out the rules for the first seven tenders, which will be on a bid-price basis, over the period to April 1989. The rules and indeed the whole memorandum could be revised after that in the light of experience;

(iv) **market makers** - the only unexpected omission from the list so far is Kleinwort Benson who apparently do not want to develop their short-term money market operations. Apart from 13 UK banks, the other market-makers are expected to include approximately 12 EC banks, 7 US securities houses and banks and 3 Swiss banks. There will be no Japanese market-makers, as agreed in response to Sir G Littler's minute to you of 22 August;

(v) **secondary market liquidity** - market-makers are required to provide active support at the initial series of tenders and to act as market-makers to ensure liquidity in the secondary market. In return, the Bank will only sell bills taken into its portfolio into the secondary market through market-makers and, at least initially, undertake to make a price for any bills that they may offer to the Bank.

3. We think that **this kind of market support operation**, which is akin to arrangements in the sterling Treasury bill market, is necessary at least in the initial stages of the development of the ecu bill market. The Bank will make below-market prices to discourage indiscriminate selling of the bills. They will be held outside the EEA so that buying in will lead to a reduction in the reserves. We might want to reconsider these support operations after the initial series of tenders, but there is an argument for continuing with them because the bills cannot count as primary liquidity for banks if they are not rediscountable.

4. **Are you content with our recommendation that the Bank use this draft of the memorandum amended as proposed in para 2(i) as a basis for further consultation with overseas banks and securities houses?**

N P W

N P WILLIAMS

Mp



FROM: MISS M P WALLACE

DATE: 26 August 1988

MR N P WILLIAMS

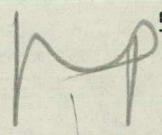
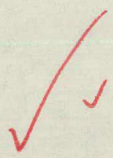
cc Economic Secretary
Sir G Littler
Mr Scholar
Mrs Lomax
Mr Ilett
Mr Gilhooly
Miss O'Mara
Miss Noble
Mr Watts
Mrs Ryding
Mr Nelson
Mr Hyett T.Sol
Mr O'Connor IR
Mr Peretz

ECU TREASURY BILL PROGRAMME

The Chancellor has seen your minute of 24 August, and is content for the Bank to proceed, subject to the amendments you proposed.

Mp

MOIRA WALLACE



THE GOVERNOR'S
 PRIVATE SECRETARY HO-P
 THE DEPUTY GOVERNOR'S
 PRIVATE SECRETARY HO-P
 MR LOEHNIS HO-P
 MR GEORGE HO-P
 MR W A ALLEN HO-P
 MR ALTHAUS HO-G
 MR A F BUSHELL HO-4
 MR CHARKHAM HO-4
 MR T A CLARK HO-M
 MR COLEBY HO-P
 MR FOOT HO-2
 MR GILL HO-3
 MR GREEN HO-3
 MR J G HILL HO-G
 MR LATTER HO-2
 MR KIRBY HO-3
 MR PLENDERLEITH HO-P
 MR PRICE HO-3
 MR SMEETON HO-2

MR TOWNEND HO-P
 MR WARLAND HO-1
 MR ARROWSMITH HO-3
 MR BAILEY HO-2
 MISS C M BALFOUR BB-4
 MR BRIAULT/
 MR M E F JONES HO-G
 MR CARTER HO-M
 MR COLLINS HO-M
 MR DE HOEST HO-4
 MR DORRINGTON HO-4
 MR G I EVANS HO-2
 MR EXETER HO-2
 MISS T A GRAY HO-4
 MISS HOPKINSON HO-3
 MR ILES HO-3
 MR JENKINSON HO-2
 MR M R LEWIS HO-3
 MS M V LOWTHER HO-G
 MR McCONNACHIE HO-G
 MR MIDGLEY HO-4

MR C M MILES HO-2
 MR MILNE HO-G
 MR MORTIMER-LEE HO-G
 MR PAGE HO-2
 MR SAGAR HO-3
 MR I D SAVILLE HO-2
 MRS SERGEANT HO-3
 MR SHEPPARD HO-4
 MS STONEFROST HO-M
 MR THORP BB-1
 MR URWIN HO-2
 MR R G WARE HO-3
 MR R P WEBSTER HO-3
 MR P A D WRIGHT HO-4
 DEALERS GIMLET HO-2
 GROUP 9, ID HO-2
 GROUP 11, ID HO-2
 GROUP 12, BSD HO-2
 LORD RICHARDSON PADS

US FINANCIAL DEVELOPMENTS

The latest weekly summary of developments in monetary policy and the financial markets is attached.

International Division
 Group 1, HO-3
 5 September 1988

R T Thorne (4385)

RTT

SUMMARY: 29 AUGUST - 4 SEPTEMBER

- Friday's weaker than expected employment data caused earlier speculation of an imminent further tightening in Fed policy to evaporate, and also caused bill rates to fall by 10 bp and long-term bond rates to fall by 25 bp. However, speculation in some quarters that the Fed's action already this year may have succeeded in slowing the economy sufficiently to avoid accelerating inflation seems to be premature, and the market may have overreacted to the employment data. The dollar showed some weakness following Friday's fall in interest rates.
- Before the data's release, there were reports that the split between regional Fed Presidents and some Fed Governors over the speed of Fed tightening was continuing. There were reported signs that new Fed Governor John LaWare may side with the regional Presidents in the dispute.
- Fed reserves policy remained stable last week, although technical factors have placed some pressure on reserves over the last couple of days.

(a) No Fed action likely

1 Last Friday's weaker than expected employment data abruptly changed the market's mood, from fear of further Fed tightening to talk that the Fed's action already this year may have succeeded in slowing the economy sufficiently to avoid accelerating inflation. Such talk is surely premature, based as it is on little more than a single economic release, but analysts had invested the employment data with great significance, not least in the Fed decision-making process. The Fed may indeed regard the moderation in employment growth with some satisfaction.

2 Despite this latest development, it still seems likely that in the coming months pressure will again begin to build for a tightening of policy. Earlier last week there were reports that the split on the FOMC between regional Fed Presidents and some Fed Governors over the speed with which rates should be tightened was continuing. The regional Presidents might be said to have won one round with the unanimous FRB decision last month to raise the discount rate, but the latest data has gone some way to evening the score.

3 The regional Presidents tend to watch economic indicators, and have been alarmed by signs of capacity pressures and of an upturn in wages in recent months. Several of the Governors, notably Johnson, Seger and Ansell, are said to pay more attention to the three financial indicators that Johnson made a wide-reportedly speech about in February, but which have since seemed to play only a back-seat role in policy: they are the dollar, commodity prices and the yield curve. With the dollar strong over the last few months and the yield curve having flattened, the financial indicators have not pointed to the need for tightening, and even the commodity price strength this year has been partly attributable to the drought, the effects of which should be discounted, according to Governor Ansell.

4 An interview with the newly appointed Fed Governor, John LaWare, last week gave some clues as to where he is likely to stand in the debate. LaWare has been appointed for his banking, rather than economic, expertise, and has been reported not to have

particularly forthright views on monetary policy. The broad thrust of his remarks in the interview indicated support for current Fed policy, including possible tightening in future if capacity constraints continue. Although he said that he looks at both economic and financial data before forming views on policy, the tenor of his remarks were reported to suggest that he puts more weight on economic data and so may possibly side with the regional Presidents. When the minutes of the August FOMC meeting (the first he has attended) are released later this month, they may provide further evidence of his position if there was a split vote.

(b) International policy co-ordination

5 The Japanese decision so far not to follow West Germany's 1/2% point increase in the discount rate has raised press speculation of a policy split between the two countries over the dollar's value. In the absence of any US official comment on the subject, press opinion has been divided over which side the US might take in such a dispute. Some say that the US and Japan have bilaterally agreed to support the dollar, not least because of the forthcoming Presidential election, and that the US is privately annoyed with West Germany that it has tightened policy and hence restrained domestic growth. Others see the US as on West Germany's side in wishing to avoid a counterproductively large dollar rise, with Japan failing to co-operate in the intervention. There seems to be little firm evidence behind either story.

MONEY

5 M1 and M2 both rose by a brisk 0.2% in the week ending 22 August, following a slight fall in the week before. M1 rose by a sharp 0.4%, which was nevertheless close to market expectations and followed declines in the two previous weeks.

RESERVES AND POLICY IMPLEMENTATION

6 Average adjustment and seasonal borrowing from the Fed's discount window rose by \$53 mn to \$645 mn in the week ending 31 August. Although this was above the previously perceived \$550-600 mn Fed target, Fed policy was seen as having been

steady. The high level of borrowing was instead attributed by some to high levels of seasonal discount window borrowing, particularly by agricultural banks, whose loans to farmers are at a seasonal peak just before funds from the harvest enable them to be repayed. The peak is likely to have been exacerbated by the effects of the drought.

7 The current target for the Fed funds rate is seen as being 8-8 1/4%, but the rate has run at the top end of that range in the last couple of days for technical reasons, causing the Fed to add reserves modestly. The normal pressure on reserves over the Labour Day weekend because of high cash withdrawals was supplemented by banks' need to find funds to pay for the Treasury cash management bill auctioned early last week and for substantial social security payments.

MARKET DEVELOPMENTS (29 August-2 September)

8 On Friday, Treasury bond yields dropped by about 25 bp, the biggest single-day fall since January, in response to the weaker than expected August employment data, which prompted speculation that inflationary pressures might have started to ease. Bill rates fell by 10 bp also, as earlier speculation that the Fed might further tighten evaporated. The most striking element of the employment data was the 0.2% point rise in the unemployment rate, although this series can be volatile. The downward revision to July payroll employment and the weak August average workweek and hourly pay data reinforced the figure's message, but nevertheless some said that the market overreacted to the data.

9 Earlier in the week, long rates had fallen by 10-15 bp in response to the dollar's strength. The dollar had risen particularly strongly against the yen, prompted by the Japanese authorities' failure either to raise the discount rate or to intervene in the foreign exchange market. Although the dollar subsequently showed some weakness against the Deutschmark following the fall in interest rates on Friday, the yen's continued weakness limited the dollar's losses against that currency.

TREASURY AUCTIONS

Monday 6 September Auction of \$14.0 bn of
 three-and six-month bills,
 raising \$300 mn of new cash.

ECONOMIC INDICATORS

Thursday 8 September Consumer credit; July
Friday 9 September Producer price index; August
Tuesday 13 September Current account; Q2
Wednesday 14 September Merchandise trade; July
Thursday 15 September Industrial production; August
 Retail sales; August
Friday 16 September Business inventories; July
 Capacity utilisation; August
Tuesday 20 September GNP; Q2 (2nd revision)
Wednesday 21 September Consumer price index; August
 Personal income and
 consumption; August
 Housing starts; August
Friday 23 September Durable goods orders; August

OTHER DATES

Monday 5 September Labor Day (Public holiday)
Tuesday 20 September FOMC meeting

US: MONEY AND BANKING STATISTICS

1 MONETARY AGGREGATES	Level (\$ bn)	Change in level (\$ bn)		% change (ar)		target base	target range (1988)	
		Latest week/ month	Previous week/month	Latest 4 weeks	weekly average over: 13 weeks ago		% growth	\$ bn
M1 (22. 8.88)	783.4	+ 3.3	- 1.9	+ 2.0	+ 6.2	+ 5.3		
M2 (22. 8.88)	3,033.6	+ 5.8	- 0.4	+ 2.1	+ 3.7	+ 6.2	4-8	3013.4-3129.3
M3 (22. 8.88)	3,830.8	+ 6.1	- 0.5	+ 3.3	+ 5.4	+ 6.4	4-8	3799.4-3945.6
Credit Aggregate (June)	3,643.2	+54.7	+58.8	+ 7.9	+ 8.5	+ 9.3	7-11	8814.9-9144.4

2 FINANCIAL STATISTICS	Level (\$ bn)	Change in level (\$ bn)		% Change (ar)	
		Latest week	Previous week	Latest 4 weeks	weekly average over: 13 weeks ago
Business loans# (24. 8.88)	296.8	-1.4	-1.8	- 5.4	- 2.2
Commercial Paper (24. 8.88)	421.7	+1.9	+0.3	+ 8.0	+ 7.2
Money Market					
Mutual Funds (17. 8.88)	268.6	+3.0	+0.8	+ 4.0	- 9.5

3 RESERVES	TWO WEEK PERIOD TO 24 AUGUST		LATEST WEEK TO 31 AUGUST	
	Level (\$ mn)	Change in level (\$ mn) Latest accounting period	Level (\$ mn)	Changes in Level Latest Week
Discount window borrowing	3,245	- 94	3,342	+ 120
of which adjustment and seasonal borrowing	574	- 17	645	+ 53
extended credit	2,671	- 77	2,697	+ 67
Net free (borrowed) reserves	415	+ 216		

Target bases (1987 Q4 averages)

M2 2897.5

M3 3653.3

Credit aggregate 8238.2

Major commercial banks

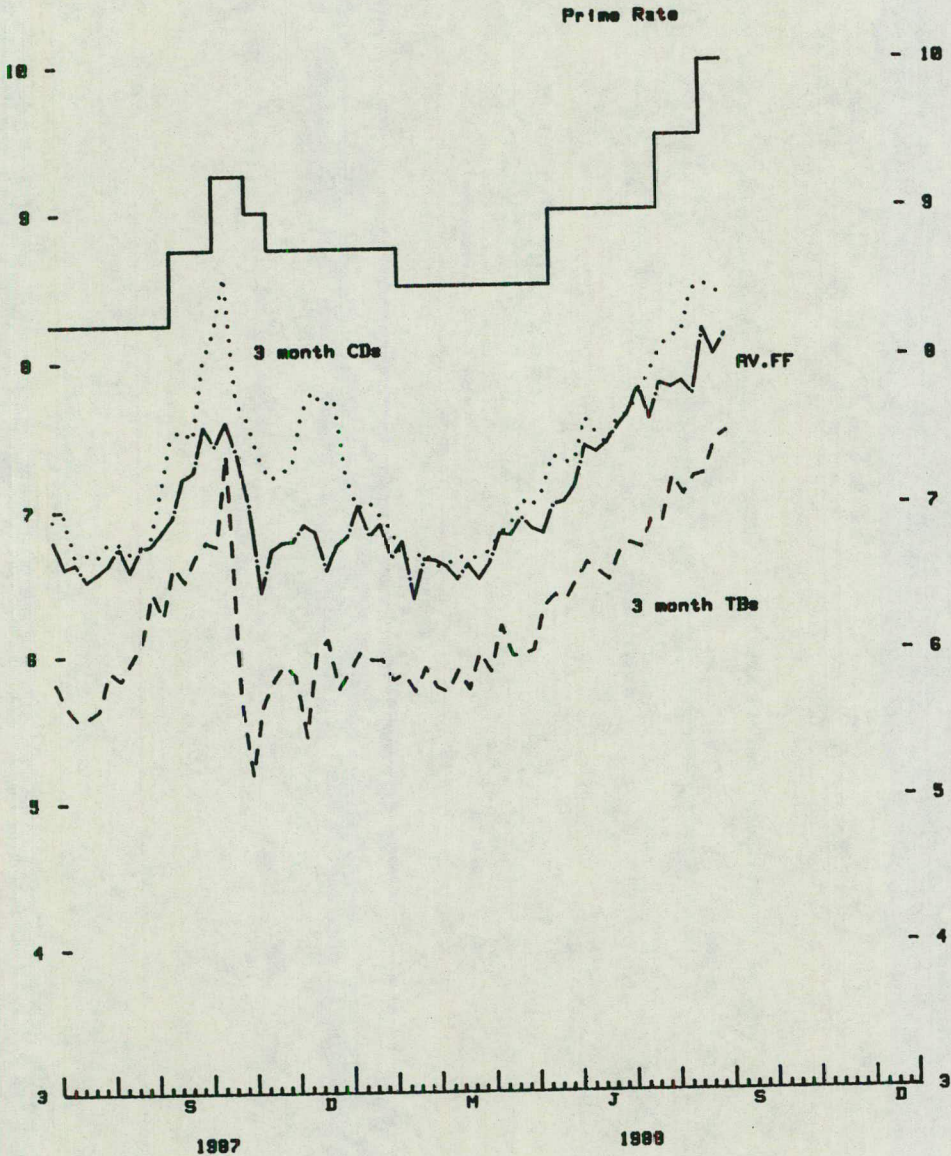
US MONEY MARKET RATES *

Per cent per annum

11 -

Chart 1

- 11



* Wednesday Close Except RV.FF

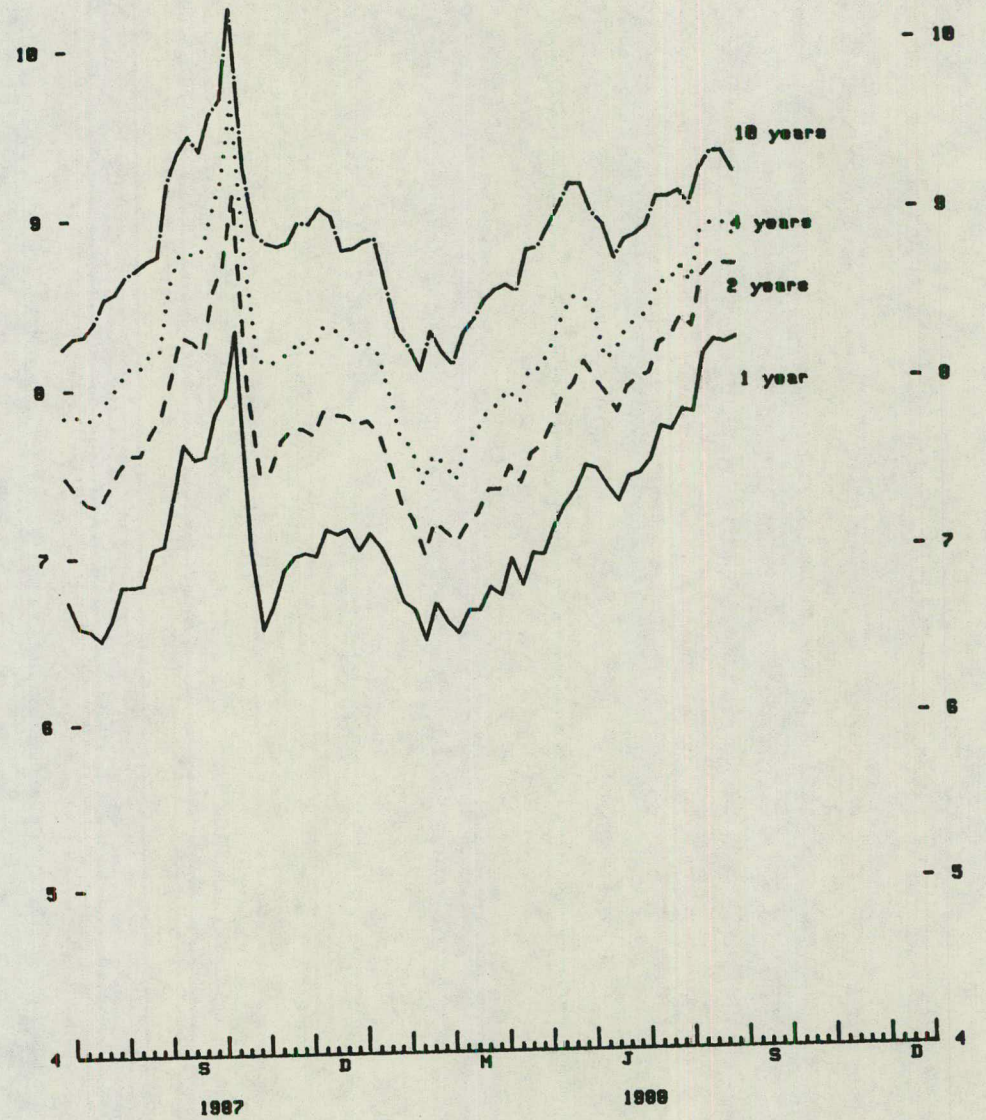
US TREASURY NOTE/BOND YIELDS *

Per cent per annum

11 -

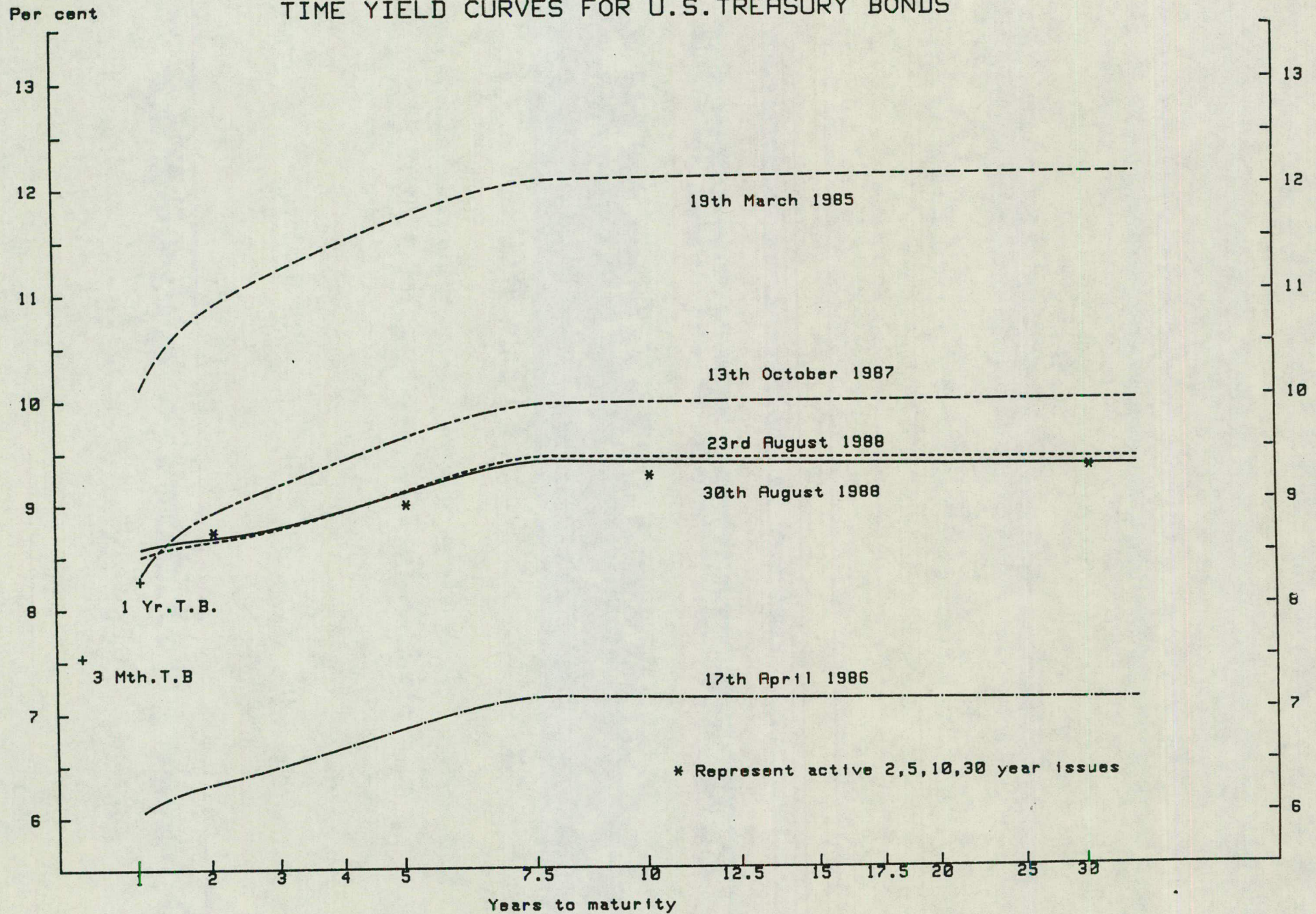
Chart 2

-



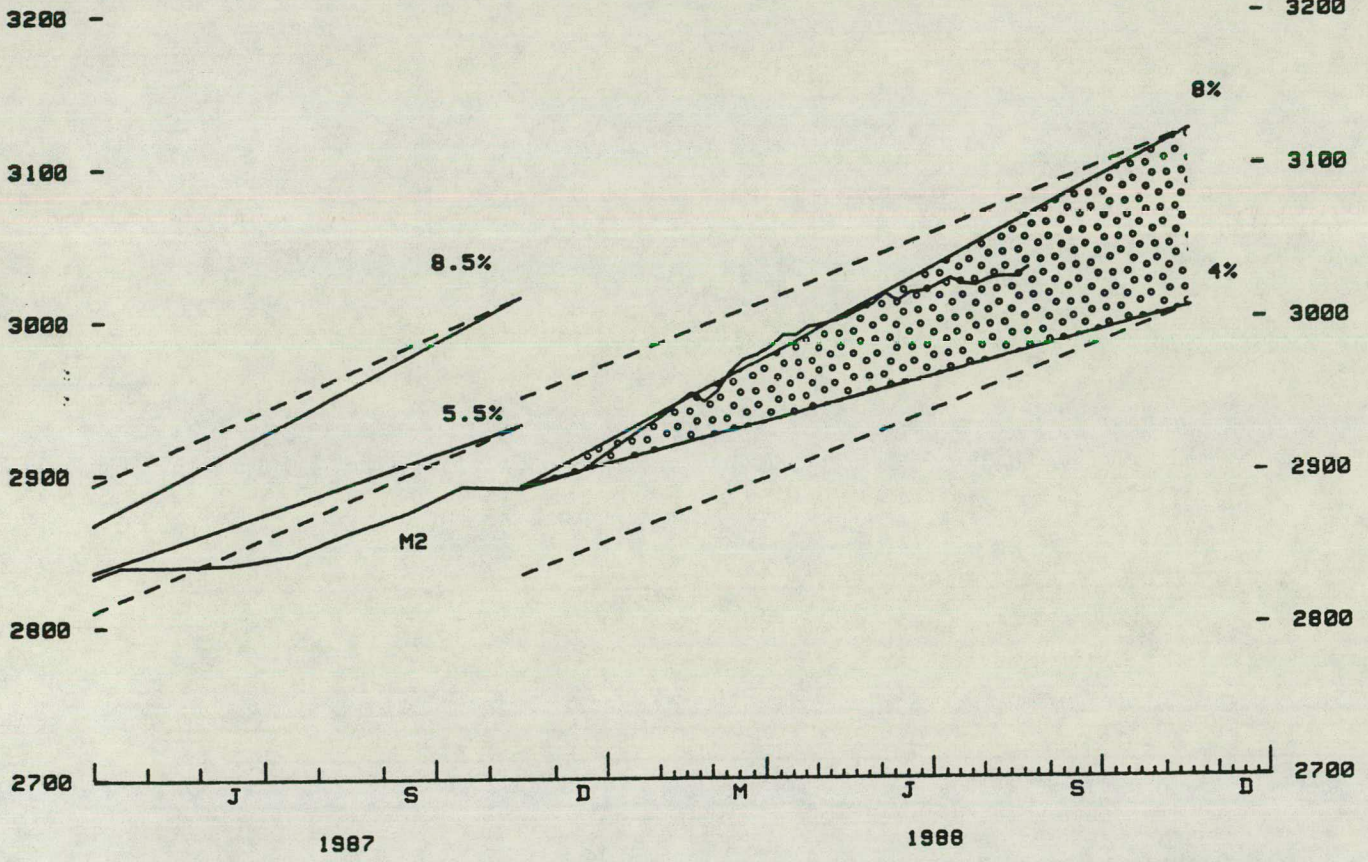
* Wednesday Close

TIME YIELD CURVES FOR U.S. TREASURY BONDS



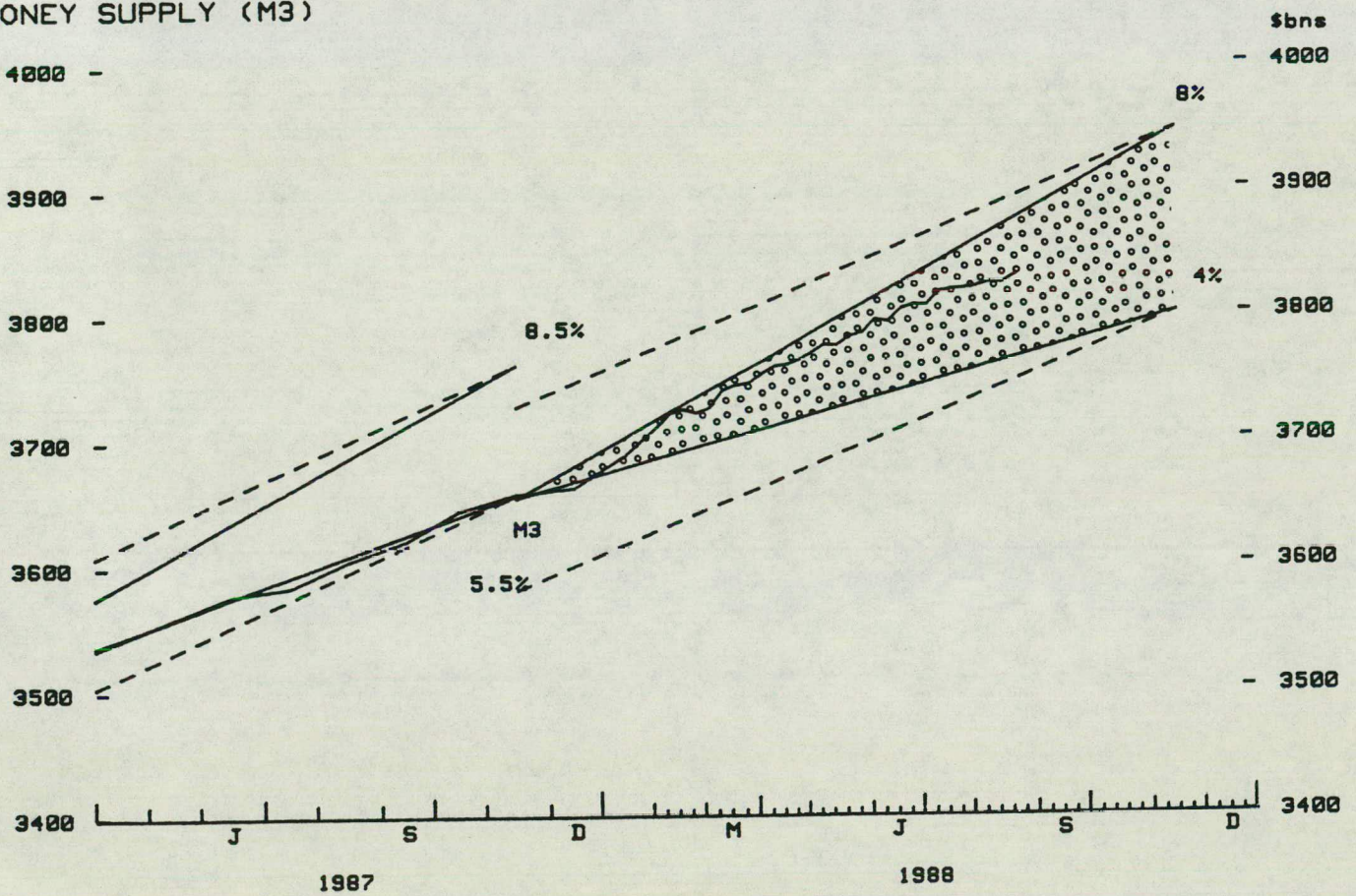
MONEY SUPPLY (M2)

Chart 3



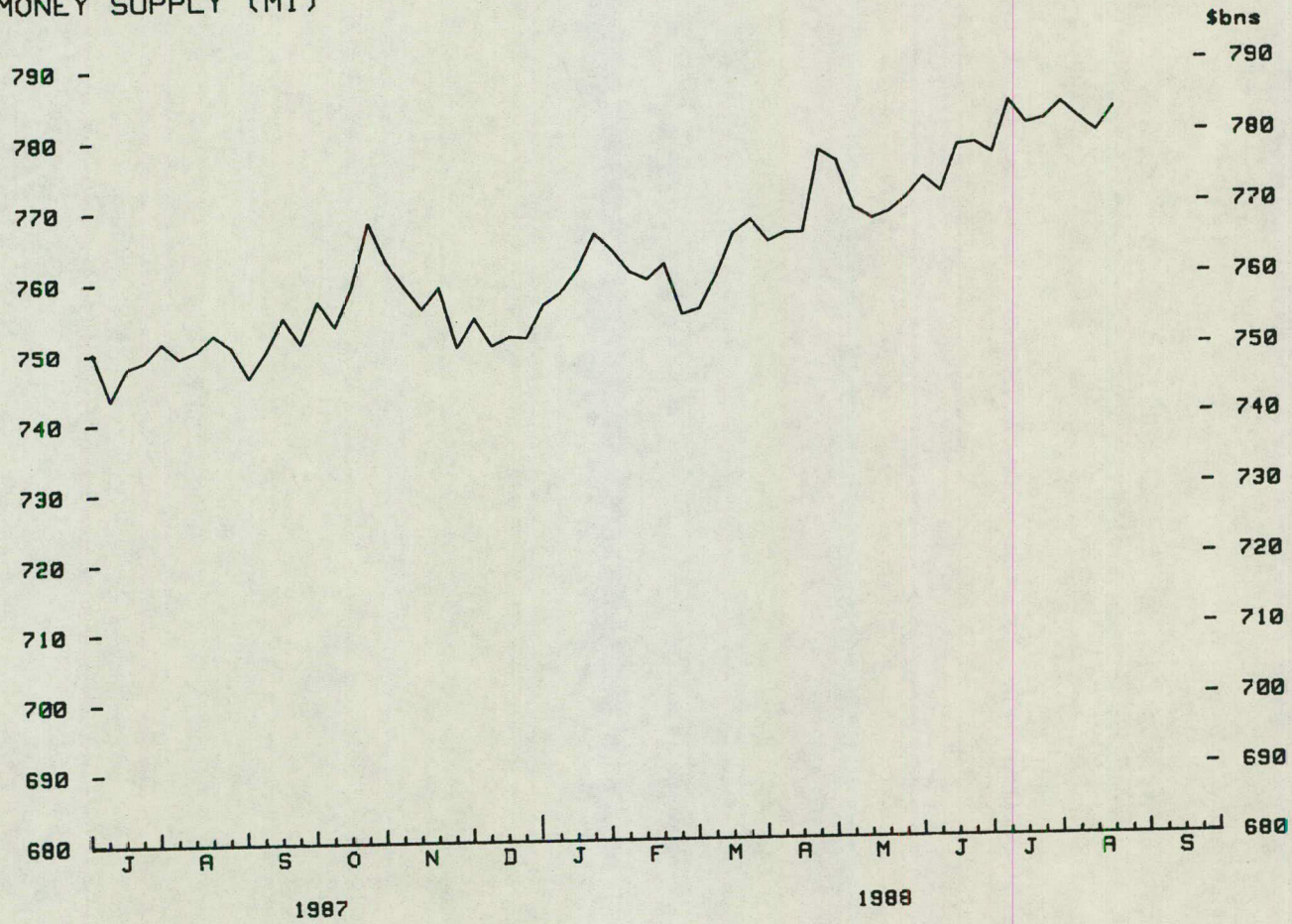
MONEY SUPPLY (M3)

Chart 4



MONEY SUPPLY (M1)

CHART 5



MG EVENING REPORT

Monday 5 September 1988

FOREIGN EXCHANGE MARKETS

Previous close		Today		since Plaza	%change \$/currency since Paris	since 16 October 1987
		opening 8.30am	close 4.00pm			
75.2	£ERI	75.4	75.5	-7.9	9.3	2.6
1.6735	\$/£	1.6860	1.6847	22.6	10.2	1.2
3.1197	DM/£	3.1228	3.1263	-19.9	12.0	4.3
1.5042	ECU/£	1.5074	1.5092			
99.9	\$ERI	-	99.5	-28.7	-4.3	-0.7
1.8642	DM/\$	1.8522	1.8557	53.1	-1.6	-3.0
136.65	Yen/\$	136.00	136	75.4	12.9	5.0

Sept \$14.07 Oct \$14.25 Nov \$14.35 Spot Brent Sept \$13.72 Oct \$13.92 Nov \$14.05

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position
	4	-324	3284	Market intervention	-335
	14	7	-802	Off-market transactions	-82
	18	-317	2482	TOTAL	-417
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-431

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium	-	Germany	-5\$	Italy	-13\$
Denmark	-	Holland	-60\$	Japan	-
France	-	Ireland	-	US	-

MARKET COMMENT "Labor Day" in the US, markets closed. Very little activity at all today with all the currencies on the side - lines. Sterling firmed against DM in thin trading.

Rates at 4:50 p.m. \$1.6857 DM3.1278 DM/\$1.8555 Yen/\$135.98.

Bel

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8068	7.8082	-0.0014
Hang Seng Index	2449.89	2508.19	58.3
3 month interbank rate	8 6/8%	8 5/8%	down 1/8%

NAME: I.C.Polin
TEL NO: 270-5556

MONEY MARKETS

Monday 5th September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	11	-3/8	8 1/16	-1/16
1 mth	11 13/16	-5/32	8 1/4	-1/16
3 mth	12 5/16	-3/16	8 3/8	-1/16
12 mth	12 1/4	-1/8	8 15/16	0

BILLS

	Today	Change
3 Month Treasury Bills	11 3/4	- 11 5/8

BANK MONEY MARKET OPERATIONS

	Sales £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	340	<i>due 15/9 10 15/16 - 11 1/2</i>	11 1/2-1/4
Band 2 (15-31 days)			11 19/32-17/32
Band 3 (32-63 days)			11 3/4-23/32
Band 4 (64-91 days)			11 13/16-3/4
TOTAL BILLS	340		
Repurchase			
Lending			
TOTAL OPERATIONS	340	against surplus	£ 350 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.30	0.00	9.02	-0.23	9.07	-0.22

STOCK MARKET

	FT Ind-Ord	FTSE	Gilt index
Today/Change	1421.8	16.7	86.73

MARKET COMMENT

GILTS opened better by 1/4 in shorts, 3/8 in mediums and 3/8 to 1/2 in longs as the was steady and US bonds sharply firmer. The market gained a further 1/16 but settlers emerged around the higher levels and prices consolidates around the opening. The upward revision to July retail sales was taken with surprising calm, and this afternoon despite the closure of US markets, the market advanced further to finish at best levels. Shorts were 3/8 firmer, mediums 1/2 and longs 5/8.

INDEXED LINKED opened 1/4 better but attracted little interest and closed unchanged to 1/8 in places.

EQUITIES opened better following Wall Street's strong improvement on Friday and firmer sterling. Turnover remains low.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4613

GILT-EDGED MARKET

Monday 5th September 1988

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September
Gross sales shorts		
Gross sales mediums	22.9	90.8
Gross sales Longs and undated	27.5	123.0
Gross sales index-linked	5.6	28.7
Part paid calls		
Buying in non-next maturities shorts		
Buying in non-next maturities mediums	-18.9	-80.9
Buying in non-next maturities longs	-33.8	-210.4
Buying in non-next maturities index-linked	-5.1	-29.7
CRND: Market transactions		
TOTAL 'GROSS' SALES	-1.8	-78.5
Buying in of next maturities		-0.7
Redemptions	-0.2	
TOTAL TRANSACTIONS WITH MARKET	-2.0	-80.0
Future calls		369
Sales required to meet * target of £ _____ m		

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close		Change from yesterday's close	
	Par yield (per cent)		Price (£/32)	Yield (%)
Shorts	10.316		8	-0.06
Mediums	10.234		11	-0.06
Longs	9.726		16	-0.05

REPRESENTATIVE STOCKS

	Price (£/32)		Yield (per cent)	
	Today	Change	Today	Change
8% Treasury 1992	92 20	12	10.50	-0.13
8 3/4 Treasury 1997 'C'	92 1	17	10.12	-0.10
11 3/4% Treasury 2003/07	113 28	22	9.91	-0.08
3% Treasury 1992	82 10	4	8.59	-0.05
2 1/2% Index-Linked 2016	96 27	3	3.91	-0.01
2% Index-Linked 1994	93 2	2	3.55	-0.01

GILT FUTURES

		Open	Close	Volume
		Long Contract	September	93.20
Medium Contract	0	92.28	92.28	570

NAME: Peter Smith
TEL NO: 270 4613

mp

FOREIGN EXCHANGE MARKETS

MG EVENING REPORT

Tuesday 6 September 1988

Previous close		Today		since Plaza	%change \$/currency	
		opening 8.30am	close 4.00pm		since Paris	since 16 October 1987
75.5	£ERI	75.7	75.9	-7.4	9.8	3.1
1.6847	\$/£	1.6927	1.702	23.9	11.4	2.3
3.1263	DM/£	3.1374	3.1385	-19.6	12.4	4.7
1.5092	ECU/£	1.5144	1.5162			
99.5	\$ERI	-	99.1	-29.0	-4.7	-1.1
1.8557	DM/\$	1.8535	1.844	54.0	-0.9	-2.4
136.00	Yen/\$	135.60	135.45	76.1	13.4	5.5

Sept \$13.72 Oct \$13.92 Nov \$14.05 Spot Brent Sept \$13.65 Oct \$13.87 Nov \$14.02

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position
	25	-299	3309	Market intervention	-310
	-48	-41	-850	Off-market transactions	-121
	-23	-340	2459	TOTAL	-431
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-445

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium	-104\$	Germany	-2\$	Italy	-171DM, -86\$
Denmark	-	Holland	-50\$	Japan	-
France	-700\$	Ireland	+22\$	US	-

MARKET COMMENT A bearish mood continued for the dollar as market continued to digest last Friday's lower than expected employment figures. The National Association of Purchasing Management's monthly report on the US economy for August showed a slowdown reinforcing the view that an early rise in interest rates was unlikely. Sterling rose on technical factors this morning with dealers finding themselves long in DM and short in sterling. Coupled with a chartist's view that in the medium term sterling would rise the pound was, at one point, up 1 pfennig before falling back 1/2 pfennig up on the day.

Rates at 5:12p.m. \$1.7043 DM3.1385 DM/\$1.8415 Yen/\$135.20.

B Nelson

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8082	7.8085	-0.0003
Hang Seng Index	2508.19	2502.09	-6.1
3 month interbank rate	8 5/8%	8 7/16	down 3/16%

NAME: I.C.Polin
TEL NO: 270-5556

MONEY MARKETS

Tuesday 6th September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	10 11/16	-5/16	8 1/16	0
1 mth	11 11/16	-1/8	8 1/4	0
3 mth	12 1/8	-3/16	8 3/8	0
12 mth	12 1/16	-3/16	8 13/16	-1/8

BILLS

	Today	Change
3 Month Treasury Bills	11 1/2	-3/8

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			11 1/4-1/8
Band 2 (15-31 days)			11 15/32-7/16
Band 3 (32-63 days)			11 11/16-21/32
Band 4 (64-91 days)			11 23/32-11/16
TOTAL BILLS	0		
Repurchase			
Lending			
TOTAL OPERATIONS	0	flat position	£ m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.30	0.00	9.02	0.00	9.07	0.00

STOCK MARKET

	FT Ind-Ord		FTSE	Gilt index	
Today/Change	1426.8	5.0	1768.0	3.5	86.79 0.06

MARKET COMMENT

GILTS opened better on stronger sterling. Shorts and mediums were 1/4 firmer and longs 3/8 and all sectors had gained a further 1/8 by midday. The afternoon saw little retail interest and some foreign selling at the higher levels. The market sold off to close with shorts only 1/8 better, mediums 1/8 to 1/4 and longs 1/16.

INDEXED LINKED were up to a 1/4 better at one stage, but closed unchanged to 1/8 easier.

EQUITIES staged a technical rally this morning but closed off the best as Wall Street lost most of its opening gains.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4613

GILT-EDGED MARKET

Tuesday 6th September 1988

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September
Gross sales shorts		
Gross sales mediums	16.9	107.7
Gross sales longs and undated	29.2	152.2
Gross sales index-linked	11.9	40.6
Part paid calls		
Buying in non-next maturities shorts		
Buying in non-next maturities mediums	-29.2	-110.1
Buying in non-next maturities longs	-56.2	-266.6
Buying in non-next maturities index-linked	-11.0	-40.7
CRND: Market transactions	-11.2	-11.2
TOTAL 'GROSS' SALES	-49.6	-128.1
Buying in of next maturities		-0.7
Redemptions	-0.2	-11.2
TOTAL TRANSACTIONS WITH MARKET	-49.8	-129.8
Future calls		369
Sales required to meet * target of £ m		

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close		Change from yesterday's close	
	Par yield (per cent)		Price (£/32)	Yield (%)
Shorts	110.430		2	-0.02
Mediums	110.164		5	-0.03
Longs	9.652		4	-0.01

REPRESENTATIVE STOCKS

	Price (£/32)		Yield (per cent)	
	Today	Change	Today	Change
8% Treasury 1992	92 26	6	10.45	-0.05
8 3/4 Treasury 1997 'C'	92 6	5	10.09	-0.03
11 3/4 Treasury 2003/07	113 30	2	9.90	-0.01
3% Treasury 1992	82 10	0	8.60	0.01
2 1/2% Index-Linked 2016	96 27	0	3.91	0.00
2% Index-Linked 1994	92 30	-4	3.57	0.02

GILT FUTURES

	Open	Close	Volume
Long Contract	94.04	93.29	23986
Medium Contract	93.11	93.00	544

NAME: Peter Smith
TEL NO: 270 4613



PLP
~~BF 3.9~~

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

6 September 1988

Ken Smith Esq
Institute of Economic Affairs
2 Lord North Street
WESTMINSTER SW1P 3LB

Dear Mr Smith,

"THE STATE OF THE MARKET"

You asked me a few days ago for a reference for the Chancellor's quotation from the official Chinese newspaper, in the conclusion of his lecture on "The State of the Market".

The Anglicised version of the name of the newspaper is Renmin Ribao. The Chancellor spotted the quotation in the IMF Press Summary for 12 July 1988, but we do not know for certain whether the quotation featured in that day's issue of the paper, or perhaps a few days earlier, and to check it would be difficult. Are you content for the footnote to say, "Renmin Ribao, July 1988"?

Yours sincerely,

Andrew Hudson

A P HUDSON

MP

FOREIGN EXCHANGE MARKETS

MG EVENING REPORT

Wednesday 7 September 1988

Previous close		Today		since Plaza	%change since Paris	since 16 October 1987
		opening 8.30am	close 4.00pm			
75.9	£ERI	76.0	75.9	-7.4	9.8	3.1
1.7020	\$/£	1.7087	1.703	23.9	11.4	2.3
3.1385	DM/£	3.1449	3.1429	-19.5	12.6	4.9
1.5162	ECU/£	1.5177	1.5171			
99.1	\$ERI	-	99	-29.1	-4.8	-1.2
1.8440	DM/\$	1.8405	1.8455	53.9	-1.0	-2.4
135.45	Yen/\$	134.30	133.87	78.2	14.7	6.7

Sept \$13.65 Oct \$13.87 Nov \$14.02 Spot Brent Sept \$13.17 Oct \$13.42 Nov \$13.52

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position
	-6	-325	3303	Market intervention	-316
	-17	-58	-867	Off-market transactions	-140
	-23	-383	2436	TOTAL	-456
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-470

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium	-30\$, -31DM	Germany	-	Italy	-21\$, -205DM
Denmark	-	Holland	-	Japan	-
France	-	Ireland	-	US	-

MARKET COMMENT

After a quiet time overnight the forex markets hardly woke up today and lacked any direction. The dollar eased overnight against the Yen as markets pushed up Japanese interbank rates by 1/16%. On opening in London this morning the dollar eased against the Mark (as well as the Yen) as markets tested the DM1.84 resistance level. However having found support at lower levels the dollar consolidated and awaited US PPI figures due out on Friday. Market sentiment remains bearish for the dollar. Sterling firmed overnight on the back of an easier dollar and having found a high at \$1.711 this morning later eased as the dollar consolidated. UK mostly on sidelines today as markets focussed on cross currencies (i.e. Y/DM etc.). Oil price eased to a low of \$13.20 this morning but has since firmed. Gold fixed at \$427.25 this afternoon (1 Sept fix was \$430.3).
 Rates at 5.55PM : \$1.7075 DM3.1486 DM/\$1.8440 Y/\$133.65

Ian Polin

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8085	7.809	-0.0005
Hang Seng Index	2502.09	2525.14	23.05
3 month interbank rate	8 7/16%	8 1/2%	UP 1/16%

Chris Bailey

NAME: I.C. Polin
 TEL NO: 270-5556

MONEY MARKETS

Wednesday 7th September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	10 1/2	-3/16	8	-1/16
1 mth	11 5/8	-1/16	8 3/16	-1/16
3 mth	12 1/8	0	8 5/16	-1/16
12 mth	12 1/8	1/16	8 7/8	1/16

BILLS

	Today		Change	
3 Month Treasury Bills	11 5/8	-	11 1/2	1/4

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			11 1/8-10 7/8
Band 2 (15-31 days)			11 7/16-13/32
Band 3 (32-63 days)			11 11/16-21/32
Band 4 (64-91 days)	97	11 11/16	11 23/32-11/16
TOTAL BILLS	97		
Repurchase			
Lending			
TOTAL OPERATIONS	97	against shortage £ 150 m	

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.25	-0.05	9.00	-0.02	9.04	-0.03

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1421.4	-5.4	1756.1	-11.9	86.82	0.03

MARKET COMMENT

GILTS opened 1/8 better through the list encouraged by the better tone of sterling. There was some buying before some profit taking and the market slipped back to be down 1/8 before lunch. There was some support at these levels on switching out of US bonds and the market closed off the worst, unchanged through the list.

INDEXED LINKED opened unchanged but drifted to close 1/8 down at the longer end.

EQUITIES opened dull and lost ground until mid-morning when cheap buying helped to steady prices. Oils were depressed on the weak crude price amid rumours that there could be further falls if OPEC failed to limit production levels. BAT reported 1/2 year profits up 11% at 711mn.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4613

GILT-EDGED MARKET

Wednesday 7th September 19

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September
Gross sales shorts		
Gross sales mediums	8.8	116.5
Gross sales longs and undated	38.2	190.4
Gross sales index-linked	2.8	43.4
Part paid calls		
Buying in non-next maturities shorts		
Buying in non-next maturities mediums	-9.3	-119.4
Buying in non-next maturities longs	-39.0	-305.6
Buying in non-next maturities index-linked	-8.1	-48.8
CRND: Market transactions	-4.6	-15.8
TOTAL 'GROSS' SALES	-11.2	-139.3
Buying in of next maturities		-0.7
Redemptions		-15.8
TOTAL TRANSACTIONS WITH MARKET	-11.2	-141.0

			Future calls	369
Sales required to meet	*	target of	£	m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close		Change from yesterday's close	
	Par	yield (per cent)	Price (£/32)	Yield (%)
Shorts	10.3	9.6	-2	0.02
Mediums	10.1	4.0	-1	0.01
Longs	9.6	4.3		

REPRESENTATIVE STOCKS

	Price (£/32)		Yield (per cent)	
	Today	Change	Today	Change
8% Treasury 1992	92 25	-1	10.46	0.01
8 3/4 Treasury 1997 'C'	92 8	2	10.08	-0.01
11 3/4 Treasury 2003/07	113 30	0	9.90	0.00
3% Treasury 1992	82 10	0	8.60	0.00
2 1/2% Index-Linked 2016	96 24	-3	3.92	0.01
2% Index-Linked 1994	92 30	0	3.57	0.00

GILT FUTURES

		Open	Close	Volume
Long Contract	September	94.01	93.25	19916
Medium Contract	0			

NAME: Peter Smith
TEL NO: 270 4613

MG EVENING REPORT

Thursday 8 September 1988

FOREIGN EXCHANGE MARKETS

Previous close		Today opening 8.30am	Today close 4.00pm	since Plaza	%change \$/currency since Paris	since 16 October 1987
75.9	£ERI	75.8	75.7	-7.7	9.6	2.9
1.7030	\$/£	1.6985	1.6962	23.4	11.0	1.9
3.1429	DM/£	3.1400	3.1358	-19.7	12.3	4.6
1.5171	ECU/£	1.5162	1.5159			
99	\$ERI	-	99.1	-29.0	-4.7	-1.1
1.8455	DM/\$	1.8487	1.8487	53.6	-1.2	-2.6
133.87	Yen/\$	134.25	133.75	78.4	14.8	6.8

Sept \$13.17 Oct \$13.42 Nov \$13.52 Spot Brent Sept \$13.15 Oct \$13.42 Nov \$13.55

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position *
	5	-320	3308	Market intervention	-311
	-16	-74	-883	Off-market transactions	-141
	-11	-394	2425	TOTAL	-452
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-466

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium	-82DM	Germany	-	Italy	-317DM, -87ECU, -424\$
Denmark	-	Holland	-	Japan	-
France	-180\$, -146DM	Ireland	-58DM	US	-

MARKET COMMENT

The forex markets saw a dull and lethargic day. The dollar firmed overnight after a technical rally and some short covering. Today it traded in a narrow range staggering briefly above DM1.85 but closing the day at rates close to its opening levels. Markets now await US PPI figures out tomorrow. Sterling eased in the Far East this morning falling below the key level of \$1.70. Little trading was done today but following CBI/FT survey of distributive trades sterling eased and some market support was seen around \$1.695. EMS tensions resurfaced with Italy and France defending their DM parity rates. The DM closed at the top of the narrow EMS band which closed 1 5/8% wide.

Rates at 6PM: \$1.6953 DM3.1388 DM/\$1.8515 Y/\$133.90

Ian Polin

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.809	7.8075	0.0015
Hang Seng Index	2525.14	2508.53	-16.61
3 month interbank rate	8 1/2%	8 1/2%	UNCHANGED

Chris Bailey

NAME: I.C. Polin
TEL NO: 270-5556

MONEY MARKETS

Thursday 8th September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	10 5/16	-3/16	8	0
1 mth	11 7/16	-3/16	8 1/4	1/16
3 mth	12 3/16	1/16	8 3/8	1/16
12 mth	12 9/32	5/32	8 7/8	0

DILLS

	Today	Change
3 Month Treasury Bills	11 5/8	- 11 1/2

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			10 7/8-5/8
Band 2 (15-31 days)			11 3/8-11/32
Band 3 (32-63 days)			11 11/16-21/32
Band 4 (64-91 days)	113	11 11/16	11 23/32-45/64
TOTAL BILLS	113		
Repurchase			
Lending			
TOTAL OPERATIONS	113	against shortage £ 100 m	

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.30	0.05	9.01	0.01	9.05	0.01

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1401.3	-20.1	1739.8	-16.3	86.67	-0.15

MARKET COMMENT

GILTS opened 1/8 easier in shorts and mediums and an 1/8 down in Longs following the performance of the bond in New York and the lower level of sterling. There was little activity and the market drifted back especially after the CBI Survey before being supported by some buying at the lowest levels, down 1/2. At the close shorts and mediums were 1/4 down and longs 3/8.

INDEXED LINKED opened 1/8 to 1/4 softer and on the back of professional and retail selling lost ground rapidly before stabilizing a bit, closing 5/8 down.

EQUITIES opened uneasily and fell away sharply following CBI survey which took the view that recent interest rate rises had failed to curb consumer spending sufficiently; sentiment also hit by market makers sales programmes. Prices closed off the bottom.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4613

GILT-EDGED MARKET

Thursday 8th September 1988

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September
Gross sales shorts	5.6	5.6
Gross sales mediums	27.5	144.0
Gross sales longs and undated	39.7	230.1
Gross sales index-linked	13.6	57.0
Part paid calls		
Buying in non-next maturities shorts	-6.0	-6.0
Buying in non-next maturities mediums	-48.5	-167.9
Buying in non-next maturities longs	-38.3	-343.9
Buying in non-next maturities index-linked	-37.8	-86.6
CRND: Market transactions		-15.8
TOTAL 'GROSS' SALES	-44.2	-183.5
Buying in of next maturities		-0.7
Redemptions	-0.3	-15.8
TOTAL TRANSACTIONS WITH MARKET	-44.5	-185.5

	Future calls	369
Sales required to meet	* target of £	m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close Par yield (per cent)	Change from yesterday's close	
		Price (£/32)	Yield (%)
Shorts	10.411	-5	0.04
Mediums	10.122	-8	0.04
Longs	9.645	-11	0.04

REPRESENTATIVE STOCKS

	Price (£/32)		Yield (per cent)	
	Today	Change	Today	Change
8% Treasury 1992	92 20	-5	10.52	0.06
8 3/4% Treasury 1997 'C'	92	-8	10.13	0.05
11 3/4% Treasury 2003/07	113 18	-12	9.94	0.04
3% Treasury 1992	82 8	-2	8.63	0.03
2 1/2% Index-Linked 2016	96 2	-22	3.96	0.04
2% Index-Linked 1994	92 20	-10	3.65	0.08

GILT FUTURES

		Open	Close	Volume
Long Contract	December	93.22	93.14	15706
Medium Contract	0			

NAME: Peter Smith
TEL NO: 270 4613

ppp pl.

FROM: N P WILLIAMS
DATE: 8 September 1988

- 1. MISS O'MARA *mom 8/9*
- 2. ECONOMIC SECRETARY

c c

Chancellor
 Paymaster General
 Sir G Littler
 Mr Lankester
 Mr Scholar
 Mr Peretz
 Mr Gieve
 Mr Gilhooly
 Mr Ilett
 Mr Mortimer
 Miss Noble
 Mr Watts
 Mr Devereux
 Mr Parkinson
 Mr Nelson

Mrs Dayer T.Sol
 Mr Milne Bank
 Mr O'Connor IR

ppp!

✓

ECU TREASURY BILL PROGRAMME

X You may like to see for information a revised version of the Bank's information memorandum (copy attached) which takes account of the Chancellor's amendments, and is intended for publication next week.

2. The memorandum now includes a list of market-makers on page 8, comprising 13 UK banks, 7 EC banks, 5 US banks and securities houses and 3 Swiss banks. There are no Japanese market-makers, as agreed by the Chancellor.

3. The Bank wish to print the memorandum tomorrow. The one point that we feel we should draw to your attention is the ordering of market-makers, with UK banks first. The Bank's Gilt-Edged Division think that it would be natural to put UK banks first, that it is an important marketing point and that foreign-owned market-makers would be neither surprised nor offended by the ordering. However, this does, of course, play down the European nature of the programme, especially when we are hoping some European governments may wish to make use of the market in London. This problem could be avoided by putting all market-makers in alphabetical order.

M

NPW

N P WILLIAMS

Handwritten initials and marks at the top right of the page.

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Friday 9 September 1988

Previous close		Today		since Plaza	since Paris	since 16 October 1987
		opening 8.30am	close 4.00pm			
75.7	£ERI	75.7	75.7	-7.7	9.6	2.9
1.6962	\$/£	1.6995	1.698	23.6	11.1	2.0
3.1358	DM/£	3.1325	3.1382	-19.6	12.4	4.7
1.5159	ECU/£	1.5132	1.5127			
99.1	\$ERI	-	99	-29.1	-4.8	-1.2
1.8487	DM/\$	1.8432	1.8482	53.7	-1.2	-2.6
133.75	Yen/\$	132.90	133.45	78.8	15.1	7.0

Sept \$13.15 Oct \$13.42 Nov \$13.55 Spot Brent Sept \$13.40 Oct \$13.72 Nov \$13.82

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position
	-1	-321	3307	Market intervention	-312
	6	-68	-877	Off-market transactions	-140
	5	-389	2430	TOTAL	-452
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-466

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium	-24DM	Germany	-	Italy	-151\$
Denmark	-14\$	Holland	-45\$	Japan	-
France	-	Ireland	-	US	-

MARKET COMMENT

Markets very quiet today. The US PPI figure of +0.6% was much as expected and had no significant affect on the rates. Sterling traded thin with little change in rates during the day.

Rates at 4:50p.m. \$1.6975 DM3.1378 DM/\$1.8485 Yen/\$133.57.

Handwritten signature or initials.

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8075	7.8085	-0.001
Hang Seng Index	2508.53	2496.56	-11.97
3 month interbank rate	8 1/2%	8 3/8%	down 1/8%

NAME: I.C.Polin
TEL NO: 270-5556

MONEY MARKETS

Friday 9th September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	10 1/4	- 1/16	8 1/16	1/16
1 mth	11 7/16		8 3/16	- 1/16
3 mth	12 5/32	- 1/16	8 5/16	- 1/16
12 mth	12 5/16		8 13/16	- 1/16

BILLS

	Today		Change	
3 Month Treasury Bills	11 9/16	-	11 7/16	- 1/16

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			10 3/4-1/2
Band 2 (15-31 days)			11 9/32-1/4
Band 3 (32-63 days)			11 21/32-5/8
Band 4 (64-91 days)	24	11 11/16	11 23/32-11/16
TOTAL BILLS	24		
Repurchase			
Lending			
TOTAL OPERATIONS	24	against shortage £	100 m

Average rate of Discount 11.5509

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.25	-0.05	8.97	-0.04	9.02	-0.03

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1395.2	-6.1	1738.4	-1.4	86.66	-0.01

MARKET COMMENT

GILTS opened 1/16 easier through the list but encouraged by Mrs Thatcher's comments on sterling there was foreign demand for stock and some domestic buyers also joined in and at best market was 1/8 firmer. The announcement at 1.30 of US PPI figures knocked the US markets and this, plus a rumour of a big switch from gilts into equities saw gilts lose their earlier appeal and close unchanged.

INDEXED LINKED opened 1/8 easier but there was switching into longer maturities from conventionals and the sector closed up to 1/8 firmer.

EQUITIES opened sharply lower on rumours, later to be confirmed, of a rights issue-364mn, by Carlton Communicatins to partially finance a US acquisition. At worst FTSE 100 was down 22 points but this was recovered by midday. During the afternoon the market traded in a narrow range just below the previous day's closing levels.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4613

GILT-EDGED MARKET

Friday 9th September 1988

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September
Gross sales shorts	5.4	11.0
Gross sales mediums	27.4	171.4
Gross sales longs and undated	26.0	256.1
Gross sales index-linked	74.9	131.9
Part paid calls	0.1	0.1
Buying in non-next maturities shorts		-6.0
Buying in non-next maturities mediums	-32.7	-200.6
Buying in non-next maturities longs	-26.9	-370.8
Buying in non-next maturities index-linked	-82.0	-168.6
CRND: Market transactions		-15.8
TOTAL 'GROSS' SALES	-7.8	-176.8
Buying in of next maturities		-0.7
Redemptions		-15.8
TOTAL TRANSACTIONS WITH MARKET	-7.8	-193.3
		Future calls
		369
Sales required to meet	*	target of £
		===== m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close		Change from yesterday's close	
	Par	yield (per cent)	Price (£/32)	Yield (%)
Shorts	10.469			
Mediums	10.171		-1	0.01
Longs	9.685			

REPRESENTATIVE STOCKS

	Price (£/32)		Yield (per cent)	
	Today	Change	Today	Change
8% Treasury 1992	92 20		10.53	0.01
8 3/4 Treasury 1997 'C'	91 31	-1	10.13	0.00
11 3/4 Treasury 2003/07	113 17	-1	9.95	0.01
3% Treasury 1992	82 6	-2	8.66	0.03
2 1/2% Index-Linked 2016	96 5	+3	3.96	0.00
2% Index-Linked 1994	92 18	-2	3.67	0.02

GILT FUTURES

		Open	Close	Volume
Long Contract	December	93.11	93.16	12077
Medium Contract	0			

NAME: Peter Smith
TEL NO: 270 4613

CIRCULATION LIST

DATE: 9th SEPTEMBER 1988

CHANCELLOR'S OFFICE

MR. S. BROOKS 88/G
MR. J.W. GRICE 89/G
MISS R. MCROBBIE 107/G
MISS M. O'MARA 108/G
MRS C. RYDING 110/G
MR. P. MOUNTFIELD 80/1
MR. J. ODLING-SMEE 45/2
MR. N.J. MONCK 46/2
SIR P.E. MIDDLETON 78A/2
MR. H. WALSH 108/3
Ms. V.F. LIFE 109/3
MR. M.C. SCHOLAR 87/2
MR. S. PICKFORD 97/2
MR. P.S. CURWEN 98/2
MR. J. MCLAREN 33/3
SIR J.G. LITTLER 113/2
MR. R. MOLAN 81/1
MR. R.E. DEANE 41/3
MR. T.P. LANKESTER 116/2
SIR T. BURNS 119/2
MR. A.M. DOLPHIN 32/3
MR. M. LYON 34/3
MR. D. OWEN 36/3
Ms. C. TURK 35A/3
MR. P.N. SEDGWICK 39/3
MR. S.W. MATTHEWS 104/3
MR. D. SAVAGE 106/3
MR. H.P. EVANS 107/3
MR. W. HOOD 30A/3
MR. PERETZ 84/G
MR. P. ELWOOD 106/3
MR. D. RAMSDEN 106/3
MR. G. YOUNG 112/G

Please inform Bina Doshi (ext: 5374 - room : 31/3) if there are any changes to be made to this list.

THREE MONTH INTEREST RATES IN THE SIX MAJOR COUNTRIES

		-WORLD BASKETS-										UNCOVERED DIFFERENTIALS-		
		USING												
		WORLD RATES					EURO		(A)		(B)		UK RATE UK-	
		CANADA	FRANCE	GERMANY	ITALY	JAPAN	USA	DOLLAR	USA CD	EURODOL	INTER	WORLD	UK-	UK-
		1	2	3	4	5	6	7	8	9	10	11	12	13
1987	QTR1	7.45	8.26	4.18	11.48	4.24	6.05	6.34	6.20	6.30	10.60	4.40	4.27	6.42
	QTR2	8.41	8.13	3.80	10.64	3.92	6.85	7.07	6.27	6.34	9.18	2.91	2.11	5.38
	QTR3	8.99	7.89	3.97	12.00	4.08	6.98	7.15	6.45	6.51	9.81	3.36	2.66	5.84
	QTR4	8.88	8.47	4.13	11.76	4.54	7.76	7.96	6.84	6.91	9.20	2.36	1.23	5.07
1988	QTR1	8.55	7.94	3.41	11.11	4.36	6.74	6.91	6.18	6.24	9.01	2.83	2.10	5.60
	QTR2	9.05	7.81	3.62	10.91	4.49	7.25	7.41	6.37	6.42	8.34	1.97	0.93	4.72
1987	SEP	9.32	7.88	4.03	12.56	4.15	7.43	7.56	6.69	6.73	10.12	3.44	2.56	6.09
	OCT	9.20	8.19	4.79	12.13	4.80	8.21	8.48	7.13	7.22	9.93	2.81	1.45	5.14
	NOV	8.63	8.61	3.95	11.58	4.34	7.39	7.55	6.67	6.73	8.97	2.30	1.42	5.02
	DEC	8.89	8.56	3.70	11.63	4.47	7.76	7.96	6.75	6.82	8.75	2.00	0.79	5.05
1988	JAN	8.65	8.31	3.44	10.91	4.35	6.96	7.17	6.31	6.38	8.92	2.61	1.75	5.47
	FEB	8.50	7.58	3.37	11.00	4.32	6.63	6.79	6.07	6.12	9.22	3.15	2.43	5.85
	MAR	8.53	8.03	3.42	11.44	4.40	6.65	6.79	6.20	6.25	8.83	2.64	2.04	5.41
	APR	8.83	8.13	3.43	10.88	4.19	6.92	7.11	6.25	6.32	8.32	2.06	1.21	4.89
	MAY	8.98	7.90	3.56	10.78	4.27	7.27	7.44	6.36	6.42	8.03	1.67	0.59	4.47
	JUN	9.34	7.39	3.89	11.13	4.42	7.56	7.67	6.49	6.53	8.74	2.24	1.07	4.85
	JUL	9.34	7.33	4.95	11.28	4.80	7.94	8.23	6.85	6.90	10.53	3.68	2.30	5.58
	AUG	9.80	7.63	5.35	11.28	4.88	8.38	8.50	7.25	7.28	11.25	4.00	2.75	5.90
1988	JUN 20	9.32	7.31	3.92	11.00	4.41	7.62	7.75	6.52	6.57	9.22	2.70	1.47	5.30
	JUN 27	9.24	7.50	4.38	11.25	4.52	7.65	7.75	6.65	6.68	9.58	2.93	1.83	5.20
	JUL 4	9.23	7.31	4.50	11.25	4.83	7.70	7.81	6.65	6.69	10.14	3.49	2.33	5.64
	JUL 11	9.35	7.25	4.95	11.12	4.72	7.90	8.06	6.82	6.87	10.22	3.40	2.16	5.27
	JUL 18	9.39	7.38	5.35	11.25	4.88	8.05	8.31	6.98	7.07	11.03	4.05	2.72	5.68
	JUL 25	9.40	7.38	5.00	11.38	4.78	8.12	8.75	6.94	6.98	10.72	3.78	1.97	5.72
	AUG 1	9.49	7.38	5.35	11.38	4.75	8.15	8.25	7.01	7.04	10.81	3.80	2.56	5.46
	AUG 8	9.66	7.38	5.25	11.25	4.83	8.20	8.37	7.00	7.01	10.91	3.91	2.54	5.66
	AUG 15	9.93	7.69	5.38	11.25	4.92	8.50	8.69	7.39	7.46	11.03	3.64	2.34	5.65
	AUG 22	9.90	7.75	5.40	11.25	4.95	8.55	8.62	7.43	7.45	11.41	3.98	2.79	6.01
	AUG 29	10.00	7.94	5.38	11.25	4.94	8.50	8.56	7.43	7.45	12.09	4.66	3.53	6.71
	SEPT 5	10.14	8.00	5.00	11.38	5.09	8.42	8.37	7.38	7.37	12.34	4.96	3.97	7.34

- Column 1. 90 DAY BANKERS ACCEPTANCES
- Column 2. 3 MONTH MONEY MARKET RATE
- Column 3. 3 MONTH INTER BANK
- Column 4. 3 MONTH INTER BANK
- Column 5. 3 MONTH CERTIFICATE OF DEPOSIT
- Column 6. 3 MONTH CERTIFICATE OF DEPOSIT IN NEW YORK
- Column 11. USA CD RATE(COLUMN 8) USED FOR WORLD BASKET
- Column 12. 3 MONTH EURODOLLAR RATE(COLUMN 7) USED FOR USA

QUARTERLY AND MONTHLY FIGURES ARE AVERAGES OF THE WEEKLY DATA
 THE WEEKLY FIGURES REPRESENT THE CLOSING VALUES FOR THAT DATE

USA INTEREST RATES

		THREE MONTH RATES -----			10 YEAR
		TREASURY		EURO	COMMERCIAL
		BILLS	CD'S	DOLLAR	BOND
		(RUST)	NEW YORK	(REU)	MOODY AAA
		(V2626)		(V2627)	(REB)
FED FUNDS					(V2625)
(OVERNIGHT)					
1987 QTR1	6.16	5.66	6.05	6.34	8.37
QTR2	6.60	5.87	6.85	7.07	9.16
QTR3	6.82	6.08	6.98	7.15	9.72
QTR4	6.98	5.92	7.76	7.96	10.22
1988 QTR1	6.67	5.86	6.74	6.91	9.57
QTR2	7.09	6.40	7.25	7.41	9.81
1987 AUG	6.75	6.05	6.81	7.02	9.66
SEP	7.12	6.47	7.43	7.56	10.14
OCT	7.36	6.24	8.21	8.48	10.55
NOV	6.81	5.74	7.39	7.55	10.05
DEC	6.82	5.82	7.76	7.96	10.11
1988 JAN	6.82	5.92	6.96	7.17	9.97
FEB	6.62	5.81	6.63	6.79	9.41
MAR	6.56	5.87	6.65	6.79	9.39
APR	6.75	6.04	6.92	7.11	9.65
MAY	7.04	6.48	7.27	7.44	9.89
JUN	7.50	6.65	7.56	7.67	9.87
JUL	7.69	6.91	7.94	8.11	9.94
AUG	8.05	7.26	8.38	8.50	10.09
1988 APR 25	6.81	6.03	7.00	7.19	9.75
MAY 2	6.94	6.38	7.10	7.25	9.76
MAY 9	6.87	6.48	7.20	7.37	9.84
MAY 16	7.00	6.43	7.20	7.37	9.83
MAY 23	7.12	6.48	7.35	7.50	9.97
MAY 30	7.25	6.62	7.50	7.69	10.04
JUN 6	7.44	6.63	7.48	7.62	9.98
JUN 13	7.44	6.62	7.50	7.56	9.89
JUN 20	7.56	6.57	7.62	7.75	9.86
JUN 27	7.56	6.79	7.65	7.75	9.80
JUL 4	7.50	6.73	7.70	7.81	9.82
JUL 11	7.56	6.91	7.90	8.06	9.88
JUL 18	7.81	6.90	8.05	8.31	10.00
JUL 25	7.87	7.10	8.12	8.25	10.04
AUG 1	7.87	7.11	8.15	8.25	10.03
AUG 8	7.75	7.10	8.20	8.37	10.02
AUG 15	8.37	7.27	8.50	8.69	10.15
AUG 22	8.06	7.27	8.55	8.62	10.15
AUG 29	8.19	7.55	8.50	8.56	10.10
SEPT 5	8.09	7.42	8.42	8.37	10.12

QUARTLERLY AND MONTHLY FIGURES ARE AVERAGES OF THE AVAILABLE WEEKLY DATA

DOLLAR EXCHANGE RATES WITH FIVE MAJOR OECD COUNTRIES

EFFECTIVE						
	EXCHANGE	FRANCE	GERMANY	ITALY	JAPAN	CANADA
	RATE					
1987 QTR1	104.2	6.13	1.84	1306	153.2	1.34
QTR2	101.1	6.03	1.81	1300	142.6	1.33
QTR3	102.5	6.13	1.84	1331	150.0	1.32
QTR4	97.0	5.75	1.71	1249	135.7	1.31
1988 QTR1	94.2	5.67	1.68	1236	128.1	1.27
QTR2	93.5	5.78	1.71	1268	125.7	1.23
1987 AUG	103.3	6.20	1.86	1346	147.6	1.33
SEP	100.9	6.05	1.81	1309	143.1	1.32
OCT	100.5	6.02	1.80	1302	143.3	1.31
NOV	96.5	5.71	1.68	1239	135.4	1.32
DEC	93.9	5.54	1.64	1205	128.5	1.31
1988 JAN	93.9	5.59	1.66	1218	127.9	1.29
FEB	95.0	5.73	1.70	1249	129.2	1.27
MAR	93.6	5.69	1.68	1240	127.1	1.25
APR	92.7	5.68	1.67	1241	124.9	1.24
MAY	93.0	5.73	1.69	1259	124.8	1.24
JUN	94.8	5.93	1.76	1304	127.4	1.22
JUL	98.1	6.22	1.85	1366	133.1	1.21
AUG	99.5	6.39	1.89	1394	133.64	1.22
1988 APR 4	92.7	5.66	1.67	1237	125.2	1.24
APR 11	93.4	5.72	1.69	1251	126.5	1.24
APR 18	92.1	5.63	1.66	1232	124.0	1.23
APR 25	92.7	5.70	1.68	1246	124.8	1.23
MAY 2	92.7	5.70	1.68	1248	124.7	1.23
MAY 9	92.8	5.70	1.69	1249	124.7	1.24
MAY 16	92.7	5.73	1.69	1254	124.9	1.24
MAY 23	93.2	5.75	1.70	1263	124.5	1.24
MAY 30	93.7	5.82	1.73	1283	125.1	1.23
JUN 6	94.0	5.80	1.72	1277	126.1	1.23
JUN 13	93.7	5.82	1.72	1282	125.1	1.22
JUN 20	94.4	5.93	1.76	1305	126.2	1.21
JUN 27	97.0	6.14	1.82	1349	130.8	1.21
JUL 4	98.5	6.16	1.83	1358	135.5	1.22
JUL 11	98.1	6.21	1.85	1367	133.0	1.21
JUL 18	99.4	6.34	1.88	1392	134.6	1.21
JUL 25	97.5	6.23	1.85	1362	132.0	1.21
AUG 1	98.7	6.32	1.86	1383	132.7	1.21
AUG 8	99.6	6.41	1.90	1403	133.8	1.21
AUG 15	99.3	6.38	1.88	1395	133.3	1.23
AUG 22	100.4	6.51	1.92	1403	134.0	1.23
AUG 29	99.6	6.32	1.87	1386	134.4	1.24
SEPT 5	99.9	6.28	1.84	1378	133.7	1.24

STERLING EXCHANGE RATES WITH FIVE MAJOR OECD COUNTRIES

EFFECTIVE		FRANCE	GERMANY	ITALY	JAPAN	USA	
EXCHANGE RATE							
1987	QTR1	69.7	9.45	2.84	2015	236.3	1.54
	QTR2	72.8	9.89	2.96	2132	234.2	1.64
	QTR3	72.7	9.92	2.97	2152	237.9	1.62
	QTR4	74.7	10.08	2.99	2188	237.8	1.76
1988	QTR1	75.1	10.18	3.01	2217	229.8	1.80
	QTR2	77.8	10.64	3.14	2335	231.7	1.84
1987	AUG	72.4	9.89	2.96	2150	235.5	1.60
	SEP	73.0	9.97	2.99	2157	236.3	1.65
	OCT	73.2	9.99	3.00	2162	238.4	1.66
	NOV	75.0	10.12	2.98	2199	240.1	1.78
	DEC	75.8	10.12	2.99	2201	234.2	1.83
1988	JAN	75.3	10.05	2.97	2189	230.2	1.81
	FEB	74.3	10.08	2.98	2196	227.1	1.75
	MAR	75.9	10.43	3.07	2273	232.8	1.84
	APR	77.8	10.65	3.13	2329	234.8	1.88
	MAY	78.5	10.74	3.17	2357	234.0	1.88
	JUN	76.8	10.52	3.11	2314	225.7	1.77
	JUL	75.8	10.55	3.13	2319	226.4	1.69
	AUG	76.3	10.84	3.20	2371	226.7	1.70
1988	APR 4	76.7	10.59	3.12	2313	233.9	1.88
	APR 11	78.1	10.60	3.12	2318	234.9	1.85
	APR 18	78.3	10.72	3.15	2347	236.2	1.90
	APR 25	78.3	10.68	3.14	2337	234.0	1.87
	MAY 2	78.7	10.70	3.15	2341	234.7	1.88
	MAY 9	78.4	10.72	3.16	2349	234.5	1.88
	MAY 16	77.9	10.82	3.19	2369	236.0	1.89
	MAY 23	79.0	10.75	3.18	2362	232.8	1.87
	MAY 30	78.3	10.73	3.19	2364	232.0	1.86
	JUN 6	78.2	10.46	3.09	2302	227.3	1.80
	JUN 13	76.2	10.58	3.13	2329	227.3	1.81
	JUN 20	76.8	10.58	3.14	2329	225.3	1.78
	JUN 27	76.2	10.45	3.10	2297	222.8	1.70
	JUL 4	76.2	10.37	3.08	2285	228.0	1.68
	JUL 11	75.0	10.49	3.12	2311	224.8	1.69
	JUL 18	75.1	10.59	3.14	2325	224.8	1.67
	JUL 25	76.8	10.75	3.19	2353	228.0	1.73
	AUG 1	76.4	10.84	3.21	2371	227.5	1.71
	AUG 8	76.5	10.88	3.23	2381	227.0	1.70
	AUG 15	76.5	10.93	3.22	2390	228.3	1.71
	AUG 22	76.2	10.91	3.22	2381	224.8	1.68
	AUG 29	75.8	10.66	3.14	2334	226.0	1.69
	SEPT 5	75.7	10.65	3.13	2332	229.3	1.69

ECONOMIST COMMODITY PRICE INDICES

1985=100

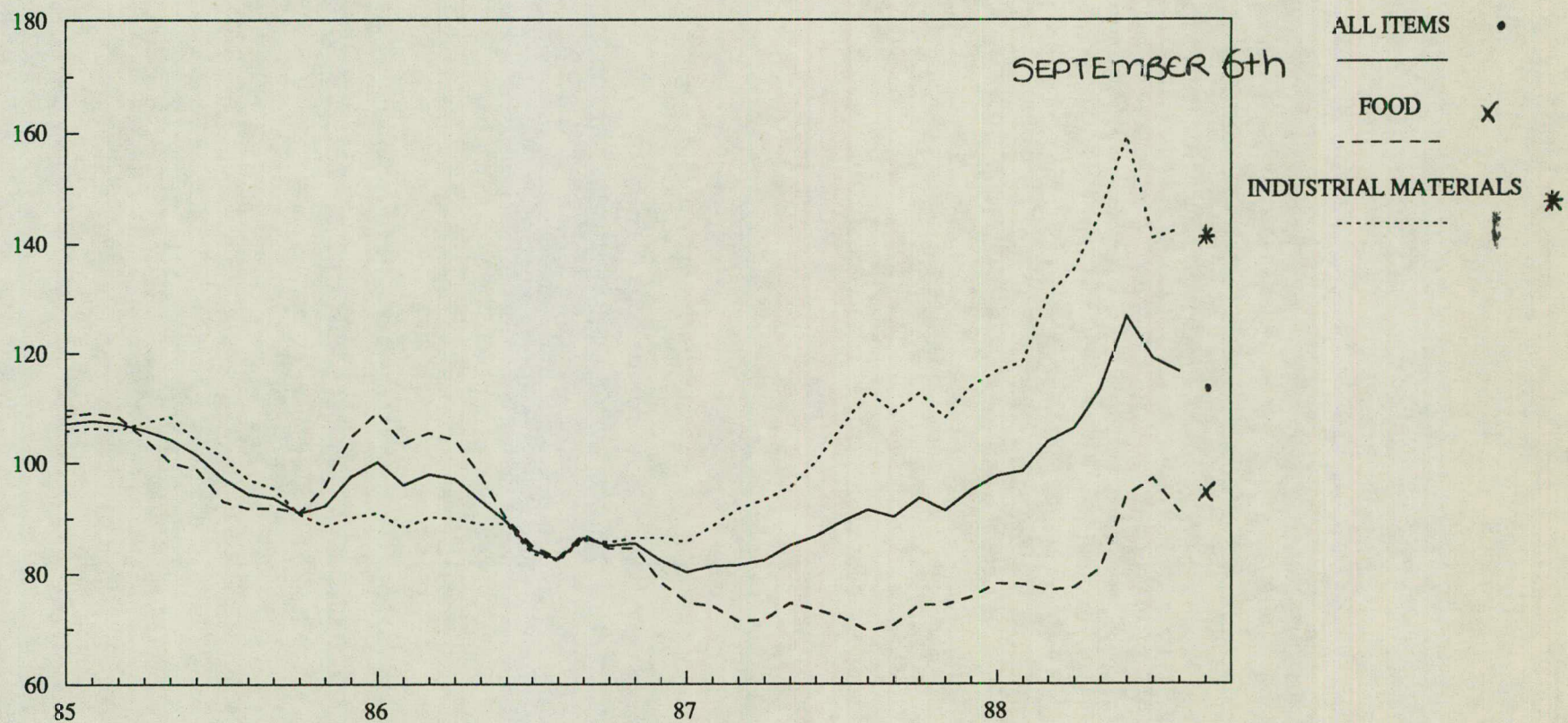
Annual	All items indices				SDR indices		
	SDR	Dollar	Sterling	Real*	Food	Nfa**	Metals
1980	104.4	133.7	74.0	115.6	96.7	106.2	118.6
1981	99.3	115.2	73.5	105.3	93.7	104.7	106.2
1982	91.8	99.9	73.4	94.3	89.3	96.0	93.8
1983	107.2	112.7	95.7	110.4	102.0	116.6	110.1
1984	110.3	111.5	107.2	113.1	112.3	111.6	106.2
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	89.8	103.7	90.6	86.4	92.4	89.9	85.4
1987	87.4	111.5	87.1	82.2	73.0	103.3	100.6
Quarterly							
1986 Q3	84.6	100.2	86.2	81.8	85.1	85.5	83.1
Q4	84.2	100.1	89.5	80.2	82.2	91.0	82.8
1987 Q1	81.0	100.8	83.5	76.5	73.2	95.2	84.3
Q2	84.9	108.2	84.4	80.0	73.2	102.6	92.1
Q3	90.2	113.4	90.0	83.8	70.7	111.9	108.0
Q4	93.4	123.7	90.3	88.4	74.7	103.3	117.9
1988 Q1	99.8	134.6	95.9	94.6	77.6	105.5	133.4
Q2	115.5	155.7	108.8	107.6	84.0	115.1	169.1
Monthly							
July	89.3	111.5	88.9		71.9	109.4	104.4
August	91.4	114.2	91.8		69.6	115.0	111.7
September	90.1	114.5	89.3		70.7	111.4	107.9
October	93.5	119.3	92.3		74.2	106.8	117.0
November	91.3	121.3	88.1		74.2	101.4	113.3
December	94.8	129.1	90.5		75.6	102.1	122.4
January	97.4	132.2	94.1		78.1	102.7	126.6
February	98.2	131.2	95.6		78.0	106.5	126.7
March	103.8	140.3	98.0		76.8	107.3	157.0
April	106.4	144.9	99.1		77.3	110.5	152.8
May	113.4	153.8	105.7		80.9	114.1	168.2
June	126.7	168.4	121.6		93.9	120.8	186.4
July	119.1	152.9	115.1		96.9	117.7	157.6
August	116.9	148.9	112.5		91.0	113.5	163.1
Weekly							
July 19	118.3	150.9	114.2		98.5	116.2	153.2
26	117.3	150.9	112.9		92.1	115.1	161.8
August 2	113.6	145.7	109.2		89.9	114.8	153.0
9	117.4	149.4	113.5		92.8	114.9	160.9
16	117.2	149.5	111.5		91.4	115.0	162.4
23	118.4	149.8	114.4		90.2	111.6	171.0
30	117.8	150.1	113.8		90.8	111.4	168.1
Sept 6 (prov)	116.3	148.6	111.8		93.1	111.4	159.3
% ch. on one yr	+30.8	+30.5	+27.2		+33.3	-0.5	+51.8

* In relation to prices of manufactured exports. Recent figures are estimated.

** Non-food agriculturals.

ECONOMIST SDR COMMODITY PRICE INDICES

1985 = 100



MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Monday 12 September 1988

Previous close		Today		since Plaza	%change \$/currency	since Paris	since 16 October 1987
		opening 8.30am	close 4.00pm				
75.7	£ERI	75.6	75.7	-7.7		9.6	2.9
1.6980	\$/£	1.6922	1.6997	23.7		11.2	2.1
3.1382	DM/£	3.1360	3.132	-19.7		12.2	4.5
1.5127	ECU/£	1.5138	1.5116				
99	\$ERI	-	98.8	-29.2		-5.0	-1.4
1.8482	DM/\$	1.8532	1.8427	54.1		-0.9	-2.3
133.45	Yen/\$	133.40	133.42	78.8		15.1	7.1

Oct \$13.40 Nov \$13.72 Dec \$13.82 Spot Brent Oct \$12.95 Nov \$13.05 Dec \$13.15

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position *
	44	-277	3351	Market intervention	-268
	-48	-116	-925	Off-market transactions	-197
	-4	-393	2426	TOTAL	-465
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-479

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium	-56DM	Germany	-9\$	Italy	-189\$, -81DM
Denmark	-	Holland	-	Japan	-
France	-	Ireland	+44\$	US	-

MARKET COMMENT

The markets again experienced a quiet day. In morning trading rumours of the Bundesbank took the shine off the dollar after reaching a high of 1.8547\$. But dollar trading over the past few days has been in very narrow bands awaiting the trade figures on Wednesday. Sterling spent another day on the side-lines; this morning's published PPI and retail sales figures, which were much as expected, had no effect.

Rates at 5:05p.m. \$1.6960 DM3.1306 DM/\$1.8459 Yen/\$133.50.

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8085	7.811	-0.0025
Hang Seng Index	2496.56	2468.94	-27.62
3 month interbank rate	8 3/8%	8 3/8%	no change

NAME: I.C.Polin
TEL NO: 270-5556

S E C R E T

MONEY MARKETS

Monday 12th September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	10 1/8	-1/8	8 1/16	0
1 mth	11 3/8	-1/16	8 3/16	0
3 mth	12 1/16	-3/32	8 5/16	0
12 mth	12 1/4	-1/16	8 3/4	-1/16

BILLS

	Today	Change
3 Month Treasury Bills	11 9/16	-1/8

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			10 5/8-3/8
Band 2 (15-31 days)			11 1/4-3/16
Band 3 (32-63 days)			11 21/32-5/8
Band 4 (64-91 days)			11 23/32-45/64
TOTAL BILLS	0		
Repurchase	564	Due 15 September at 9 7/8-10%	
Lending			
TOTAL OPERATIONS	564	against surplus £ 550 m	

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.25	0.00	8.92	-0.05	8.97	-0.05

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1401.7	6.5	1744.6	6.2	86.76	0.10

MARKET COMMENT

GILTS opened little changed: shorts 1/16 easier and longs 1/8, these losses were soon erased. This afternoon saw a modest rally, all be it on low turnover, prices finished below the best as the pound softened late in the day. Conventionals closed 1/8-1/4 firmer throughout.

INDEX-LINKED shorts were softer but the longer issues put on 1/4-3/8.

EQUITIES opened firmer and moved in a narrow range thereafter in very quite trading conditions. The provisional retail sales increase for August of 0.5% and the producer price figures were inline with market expectations.

Carl Davey

NAME: Carl Davey
TEL NO: 270 4613

GILT-EDGED MARKET

Monday 12th September 1988

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September
Gross sales shorts		11.0
Gross sales mediums	5.6	177.0
Gross sales Longs and undated	20.1	276.2
Gross sales index-linked	6.2	138.1
Part paid calls	0.2	0.3
Buying in non-next maturities shorts		-6.0
Buying in non-next maturities mediums	-6.5	-207.1
Buying in non-next maturities longs	-21.1	-391.9
Buying in non-next maturities index-linked	-6.1	-174.7
CRND: Market transactions		-15.8
TOTAL 'GROSS' SALES	-1.6	-192.9
Buying in of next maturities		-0.7
Redemptions		-15.8
TOTAL TRANSACTIONS WITH MARKET	-1.6	-194.9
Future calls		369
Sales required to meet * target of £ _____ m		

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close		Change from yesterday's close	
	Par yield (per cent)		Price (£/32)	Yield (%)
Shorts	10.470		5	-0.04
Mediums	10.169		7	-0.04
Longs	9.689		6	-0.02

REPRESENTATIVE STOCKS

	Price (£/32)				Yield (per cent)	
	Today		Change	Today		Change
8% Treasury 1992	92	25	5	10.47	-0.06	
8 3/4 Treasury 1997 'C'	92	7	8	10.10	-0.03	
11 3/4 Treasury 2003/07	113	23	6	9.92	-0.03	
3% Treasury 1992	82	8	2	8.64	-0.02	
2 1/2% Index-Linked 2016	96	14	9	3.94	-0.02	
2% Index-Linked 1994	92	20	2	3.66	-0.01	

GILT FUTURES

		Open	Close	Volume
Long Contract	December	93.14	93.23	10954
Medium Contract	0	92.25	93.01	212

NAME: Carl Davey
TEL NO: 270 4613

✓ mp

THE GOVERNOR'S	MR TOWNEND HO-P	MR C M MILES HO-2
PRIVATE SECRETARY HO-P	MR WARLAND HO-1	MR MILNE HO-G
THE DEPUTY GOVERNOR'S	MR ARROWSMITH HO-3	MR MORTIMER-LEE HO-G
PRIVATE SECRETARY HO-P	MR BAILEY HO-2	MR PAGE HO-2
MR LOEHNIS HO-P	MISS C M BALFOUR BB-4	MR SAGAR HO-3
MR GEORGE HO-P	MR BRIAULT/	MR I D SAVILLE HO-2
MR W A ALLEN HO-P	MR M E F JONES HO-G	MRS SERGEANT HO-3
MR ALTHAUS HO-G	MR CARTER HO-M	MR SHEPPARD HO-4
MR A F BUSHELL HO-4	MR COLLINS HO-M	MS STONEFROST HO-M
MR CHARKHAM HO-4	MR DE HOEST HO-4	MR THORP BB-1
MR T A CLARK HO-M	MR DORRINGTON HO-4	MR URWIN HO-2
MR COLEBY HO-P	MR G I EVANS HO-2	MR R G WARE HO-3
MR FOOT HO-2	MR EXETER HO-2	MR R P WEBSTER HO-3
MR GILL HO-3	MISS T A GRAY HO-4	MR P A D WRIGHT HO-4
MR GREEN HO-3	MISS HOPKINSON HO-3	DEALERS GIMLET HO-2
MR J G HILL HO-G	MR ILES HO-3	GROUP 9, ID HO-2
MR LATTER HO-2	MR JENKINSON HO-2	GROUP 11, ID HO-2
MR KIRBY HO-3	MR M R LEWIS HO-3	GROUP 12, BSD HO-2
MR PLENDERLEITH HO-P	MS M V LOWTHER HO-G	LORD RICHARDSON PADS
MR PRICE HO-3	MR McCONNACHIE HO-G	
MR SMEETON HO-2	MR MIDGLEY HO-4	

US FINANCIAL DEVELOPMENTS

The latest weekly summary of developments in monetary policy and the financial markets is attached.

International Division
Group 1, HO-3
13 September 1988

R T Thorne (4385)

RTT

SUMMARY: 5-11 SEPTEMBER

- The G7 meeting in West Berlin is said by officials to be likely simply to reaffirm the existing understandings on policy co-ordination and on exchange rates.
- Assistant Treasury Secretary Mulford confirmed a press report last week that he had made a secret trip to Europe in August to reaffirm the US commitment to the current G7 exchange rate and policy co-ordination agreements following Baker's resignation.
- The New York Fed reported that it bought \$2.93 bn of deutschemarks in the foreign exchange markets in the May-July quarter, intervening many times in late June and July. It also attributed the dollar's rise which provoked the intervention partly to the impression given by the Economic Declaration and officials' comments following the Toronto Summit that the G7 would tolerate a further dollar rise.
- Various Fed members confirmed the market's view that the August employment data have removed the possibility of a further Fed tightening at this stage.
- The latest 'tan book' from the Federal Reserve Districts indicates that demand pressures are starting to slacken in some parts of the economy, but the picture varied considerably between different regions and different industries. It seems likely to bolster the case at the next FOMC meeting against tightening further.
- Japan's largest inter-dealer broker announced plans to broker US Treasury bonds in Tokyo, settling the deals in dollars in New York.
- The Treasury yield curve flattened very slightly last week as oil prices fell and a purchasing managers' survey was weaker than the previous month. The dollar was stable against the deutschemark but fell against the yen as the Bank of Japan said it was ready to defend the yen's value if necessary.

POLICY

(a) The US and international co-operation

1 There have been comments from many sources that the G7 meeting which will precede the IMF-World Bank meetings in West Berlin on 22 September will introduce no new policy initiatives, but will limit itself to a reaffirmation of the existing understandings on policy co-ordination and on exchange rates. One reason for the absence of new initiatives is the difficulty of committing the US to new policies in advance of the Presidential elections. Fed Governor Robert Heller was one of those who said that no major programmes would be presented at the meeting. Although trade imbalances were being slowly corrected, he said, the US had hoped for faster economic growth in other countries. Nevertheless "the figures in Europe are not bad; we can't complain."
(West Germany's Q2 GNP figure released last week was better than expected, being 3.4% above a year earlier.)

2 Meanwhile, the Wall Street Journal reported last week that Assistant Treasury Secretary David Mulford made a secret trip to Europe last month to reaffirm the US commitment to the G7 exchange rate and policy co-ordination agreements following Baker's resignation. Mulford confirmed that the report was basically accurate, but did not confirm all the details. According to the report, Mulford visited the UK, West Germany and France to make the reaffirmation, with the approval of Alan Greenspan, Baker and Treasury Secretary-designate Nicholas Brady, and also contacted Japanese officials with the same message. The visit was just after the US discount rate increase had caused the dollar to rise in the short-term and there had been an upsurge in market speculation that the US and Japan had a bilateral agreement to keep the dollar firm until after the Presidential election. More recently, there have been reports that the dollar's fall against the deutschemark since West Germany's own discount rate rise have helped to ease friction between the US and Europe.

(b) New York Fed intervention

3 The Federal Reserve Bank of New York reported that it made \$2.93 bn of dollar sales in the May-July quarter, the largest amount of quarterly dollar sales since the quarter in which the 1985 Plaza agreement was made. The New York Fed's intervention was on 16 different days between 27 June, when the dollar was at DM 1.819, and 31 July, when it finished at DM 1.878, and it consisted entirely of deutschemark purchases. Of the \$2.93 bn, \$1.32 bn was sold on behalf of the Fed and \$1.61 bn on behalf of the Treasury's Exchange Stabilisation Fund.

4 The report accompanying the figures said that the Economic Declaration issued after the Toronto Summit had left the market with the impression that the G7 would tolerate a further rise in the dollar, as did comments by several officials at the time. (The Declaration's remarks on the dollar were identical to those in the December statement, but the deutschemark had fallen by 8% since that time. Given this feeling, it may be that the US will think that the wording of the public statement to follow this month's meeting should suggest a tougher attitude to dollar strength, even if the existing private understanding on exchange rates is left unchanged. Perhaps wording that describes a dollar rise or fall as equally counterproductive even be suggested.) The continuing buoyancy of the US economy at that time together with a perception that the Fed would tighten if there were signs of further inflationary problems added to the upward pressure on the dollar, and led to the conditions which made intervention necessary, the New York Fed said. The intervention had taken place as part of the G7 agreement.

(c) Domestic monetary policy

5 Various Fed Board members effectively confirmed the market's view that the August employment data have removed the possibility of a further Fed tightening at this stage. Governors Johnson, Heller and LaWare all said that economic growth appeared to be moderating, and both Heller and LaWare saw no need for a change in Fed policy at the moment. (A few market commentators had suggested that the Fed might even ease, but there is no sign whatsoever of that.)

(d) The tan book

6 The latest Federal Reserve Districts' Commentary on Current Economic Conditions (the "tan book") found that demand pressures are starting to slacken in some parts of the economy, and thus seems likely to bolster the case at the next FOMC meeting against tightening further. However the picture varied considerably across the country, with healthy expansion in business activity in some areas, "stable to mixed" conditions in others and even weakness in the St Louis Fed District. Activity was said to be expanding in numerous manufacturing industries, but the retailing and construction sectors were generally weak. Similarly, information on price pressures was mixed, with the prices of many raw materials and industrial components climbing strongly, but wage rises still rather patchy, affecting retailers much more than manufacturers. The most concrete evidence to support a possible moderation in labour pressures was provided by the Philadelphia Fed, which reported the first pause in employment growth for 16 months.

(e) US Treasury bond trading in Japan

7 Japan's inter-dealer broker, Japan Securities Clearing Group, announced plans to broker US Treasury bonds in Tokyo. It will concentrate on 10- and 30-year maturities and will aim its business primarily at Japanese clients. Settlement, which will reportedly be through Bank of Tokyo's New York unit, will in principle be in dollars but could be in yen if buyer and seller agree.

MONEY AND CREDIT

8 M1 and M2 both fell by 0.1% or less in the week ending 29 August, while M3 rose by 0.1%. In addition, the previous week's M3 figure was revised up 0.4%, and the aggregate's four-weekly average is now 6.6% (ar) above its target base, up from 6.4% the week before.

9 Consumer instalment credit rose 5.0% (ar) in July, well below the consensus forecast of about 8%, but June's increase was revised up to 16.4% from 10.2%. The series has risen by 9.4% over the last year.

RESERVES

10 Average adjustment and seasonal borrowing from the Fed's discount window fell by \$68 mn to \$577 mn in the week ending 7 September, the second week of the maintenance fortnight, bringing the fortnightly average to \$611 mn, up \$37 mn from the previous fortnight. Analysts continued to believe that the Fed was maintaining a steady credit stance in the wake of the weaker than expected August employment data, but they seem to have slightly increased their estimate of the degree of tightness involved in that steady stance. The consensus discount window borrowing has drifted up from \$550-600 mn to \$600 mn, while the Fed funds target estimate has narrowed from 8-8 1/4% to 8 1/8-1/4%.

11 The Fed had a large net miss in its estimate of reserves availability on Tuesday last week. Until this became known later in the week, some analysts had suspected that the Fed might have eased slightly in response to the employment figures when it added reserves to the market with Fed funds at 8 1/16%. However, the Fed helped to make it clear that its action was purely technical when it drained funds back out of the system again on Wednesday with Fed funds at 7 3/4%.

MARKET DEVELOPMENTS (5-9 September)

12 The Treasury yield curve flattened very slightly last week as long bond yields drifted down by about 5 bp, while bill rates ended the week little changed. Although the August producer price index was the week's major economic indicator, it was much as expected and had little market impact. Instead, the weak oil price and a decline in confidence (albeit from a high level) revealed by the National Association of Purchasing Managers survey were the factors most responsible for the strength of the long end of the market.

13 The dollar, meanwhile, attracted little attention last week, but fell by 2 yen because of Bank of Japan Governor Sumita's comments that his institution was ready to take action to defend the yen's value if necessary. This week, the US markets will focus on July's US trade deficit figure, which comes out on Wednesday and for which the consensus market forecast is \$11.5 bn, down from \$12.5 bn in the previous month.

TREASURY AUCTIONS

Monday 12 September Auction of \$14.0 bn of
three-and six-month bills,
raising \$625 mn of new cash.

ECONOMIC INDICATORS

Tuesday 13 September Current account; Q2

Wednesday 14 September Merchandise trade; July
Industrial production; August

Thursday 15 September Retail sales; August
Capacity utilisation; August

Friday 16 September Business inventories; July

Tuesday 20 September GNP; Q2 (2nd revision)

Wednesday 21 September Consumer price index; August
Personal income and
consumption; August
Housing starts; August
Real earnings; August

Friday 23 September Durable goods orders; August

Friday 30 September Leading indicators; August

OTHER DATES

Tuesday 20 September FOMC meeting

Thursday 22 September IMF/World Bank meeting

US: MONEY AND BANKING STATISTICS

1 MONETARY AGGREGATES	Level (\$ bn)	Change in level (\$ bn)		% change (ar)		target base	target range (1988)	
		Latest week/ month	Previous week/month	Latest 4 weeks	Previous 4 weekly average over: 13 weeks ago		% growth	\$ bn
M1 (29. 8.88)	782.6	- 0.9	+ 3.4	- 1.5	+ 6.7	+ 5.1		
M2 (29. 8.88)	3,033.6	- 0.5	+ 6.3	+ 2.6	+ 3.5	+ 6.1	4-8	3013.4-3129.3
M3 (29. 8.88)	3,849.1	+ 2.9	+21.5	+ 5.8	+ 6.1	+ 6.6	4-8	3799.4-3945.6
Credit Aggregate (June)	8,643.2	+54.7	+58.8	+ 7.9	+ 8.5	+ 9.3	7-11	8814.9-9144.4

2 FINANCIAL STATISTICS

	Level (\$ bn)	Change in level (\$ bn)		% Change (ar)	
		Latest week	Previous week	Latest 4 weeks	Previous 4 weekly average over: 4 weeks ended 13 weeks ago
Business loans# (31. 8.88)	296.8	0.0	-1.4	- 6.4	- 2.4
Commercial Paper (31. 8.88)	422.1	+0.3	+1.9	+11.4	+ 7.9
Money Market					
Mutual Funds (7. 9.88)	266.9	-0.2	-0.7	+ 9.7	- 5.1

3 RESERVES

	TWO WEEK PERIOD TO 7 SEPTEMBER		LATEST WEEK TO 7 SEPTEMBER	
	Level (\$ mn)	Change in level (\$ mn)	Level (\$ mn)	Changes in Level Latest Week
Discount window borrowing	3,093	- 152	2,844	- 498
of which adjustment and seasonal borrowing	611	+ 37	577	- 68
extended credit	2,482	- 189	2,267	- 430
Net free (borrowed) reserves	438	+ 30		

Target bases (1987 Q4 averages)

M2 2897.5

M3 3653.3

Credit aggregate 8238.2

Major commercial banks

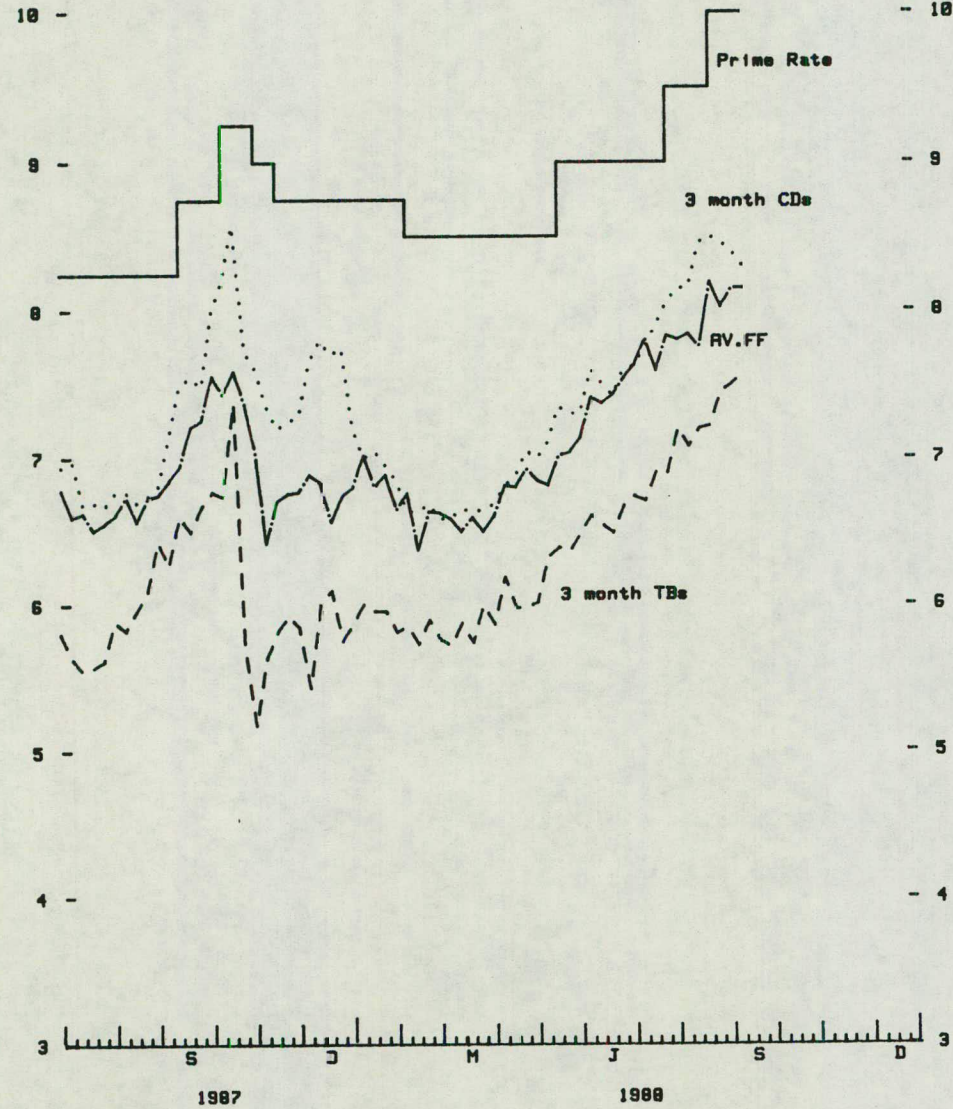
US MONEY MARKET RATES *

Per cent per annum

11 -

Chart 1

- 11



* Wednesday Close Except: RV.FF

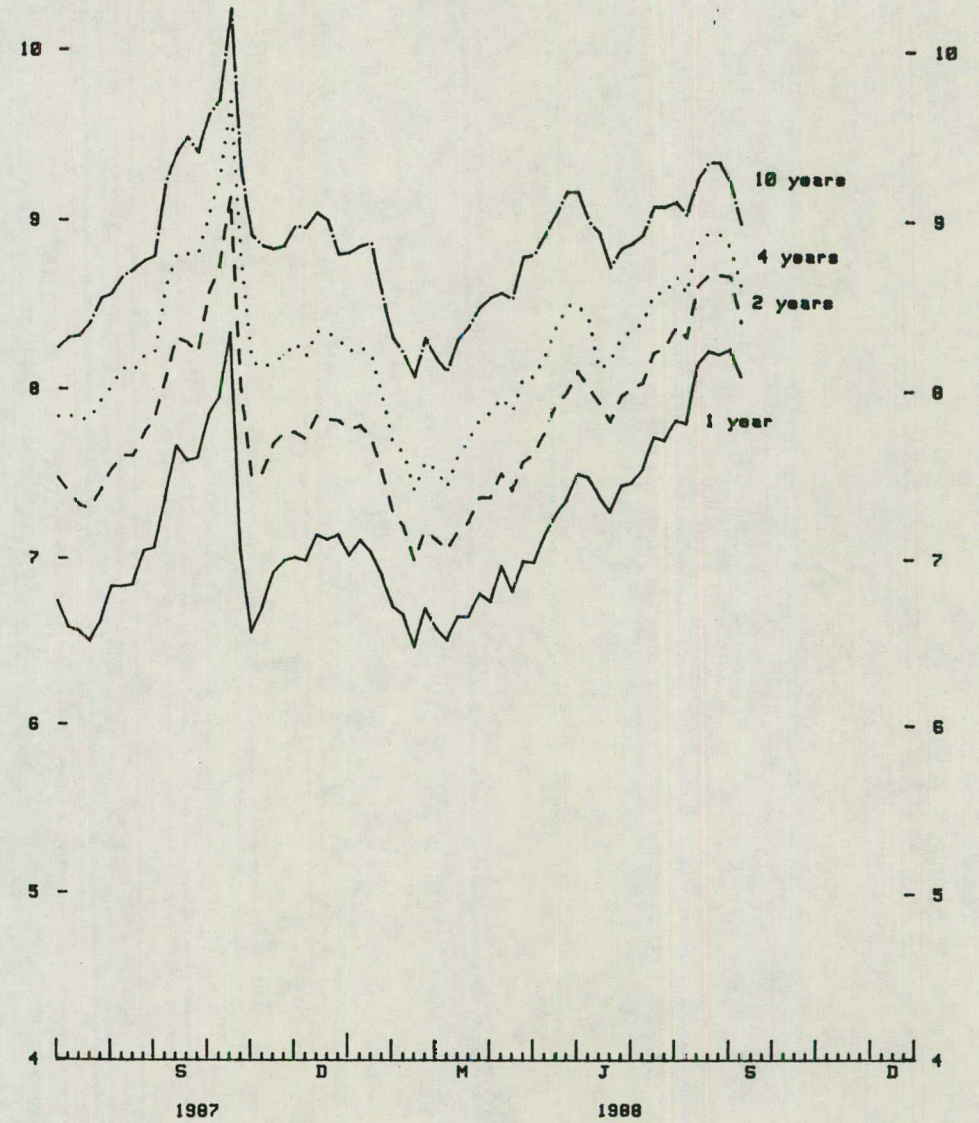
US TREASURY NOTE/BOND YIELDS *1

Per cent per annum

11 -

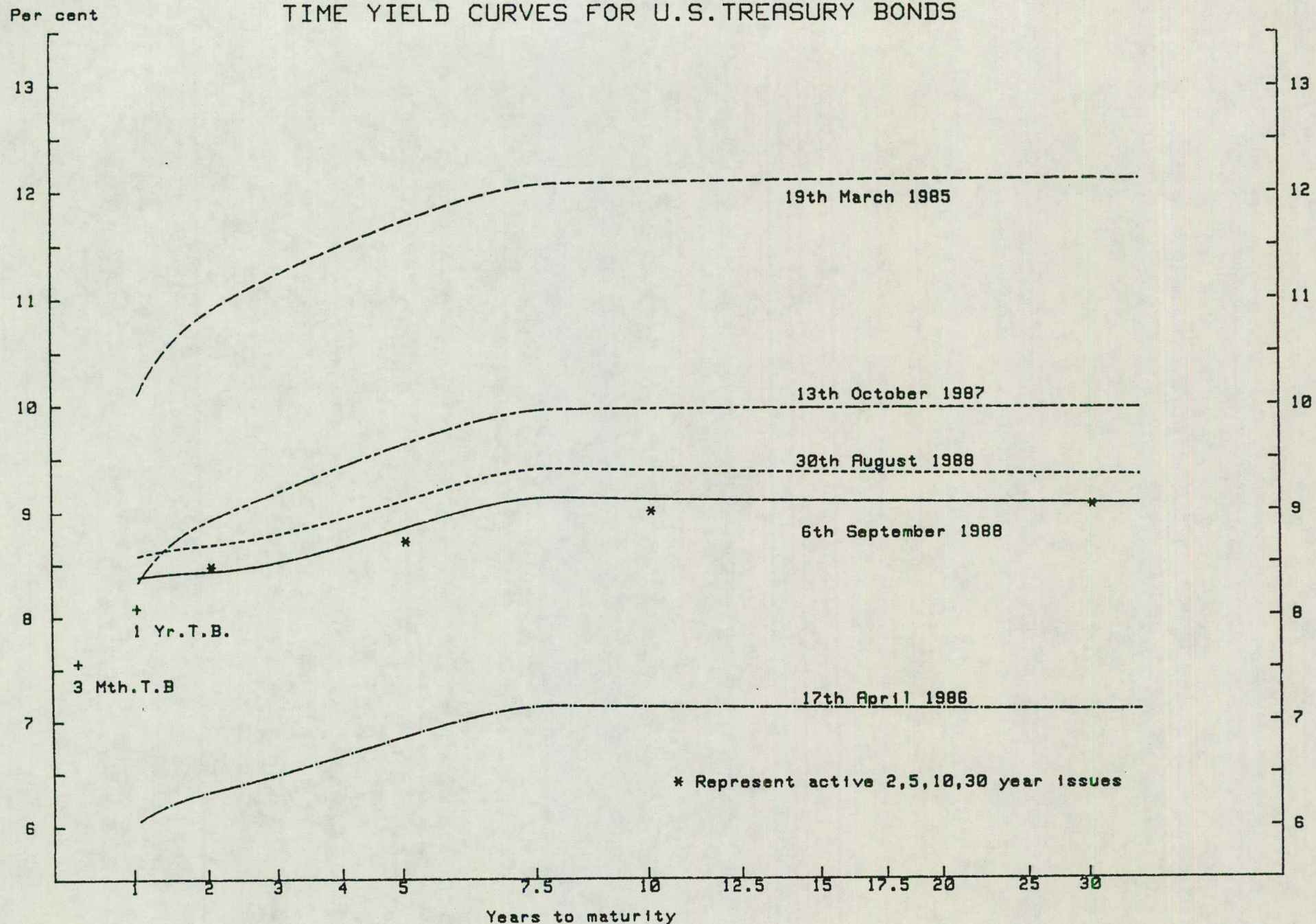
Chart 2

- 11



* Wednesday Close

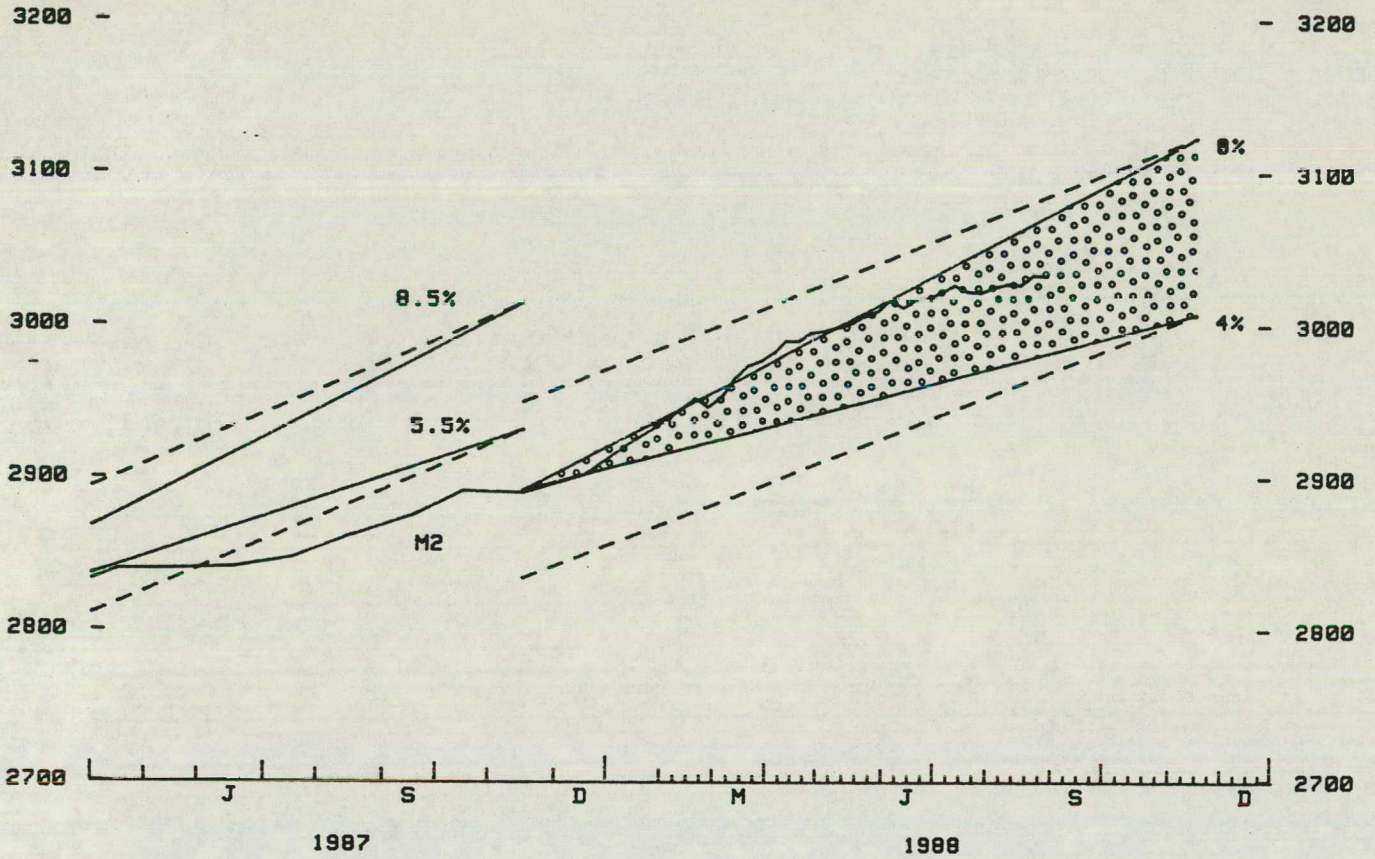
TIME YIELD CURVES FOR U.S. TREASURY BONDS



MONEY SUPPLY (M2)

Chart 3

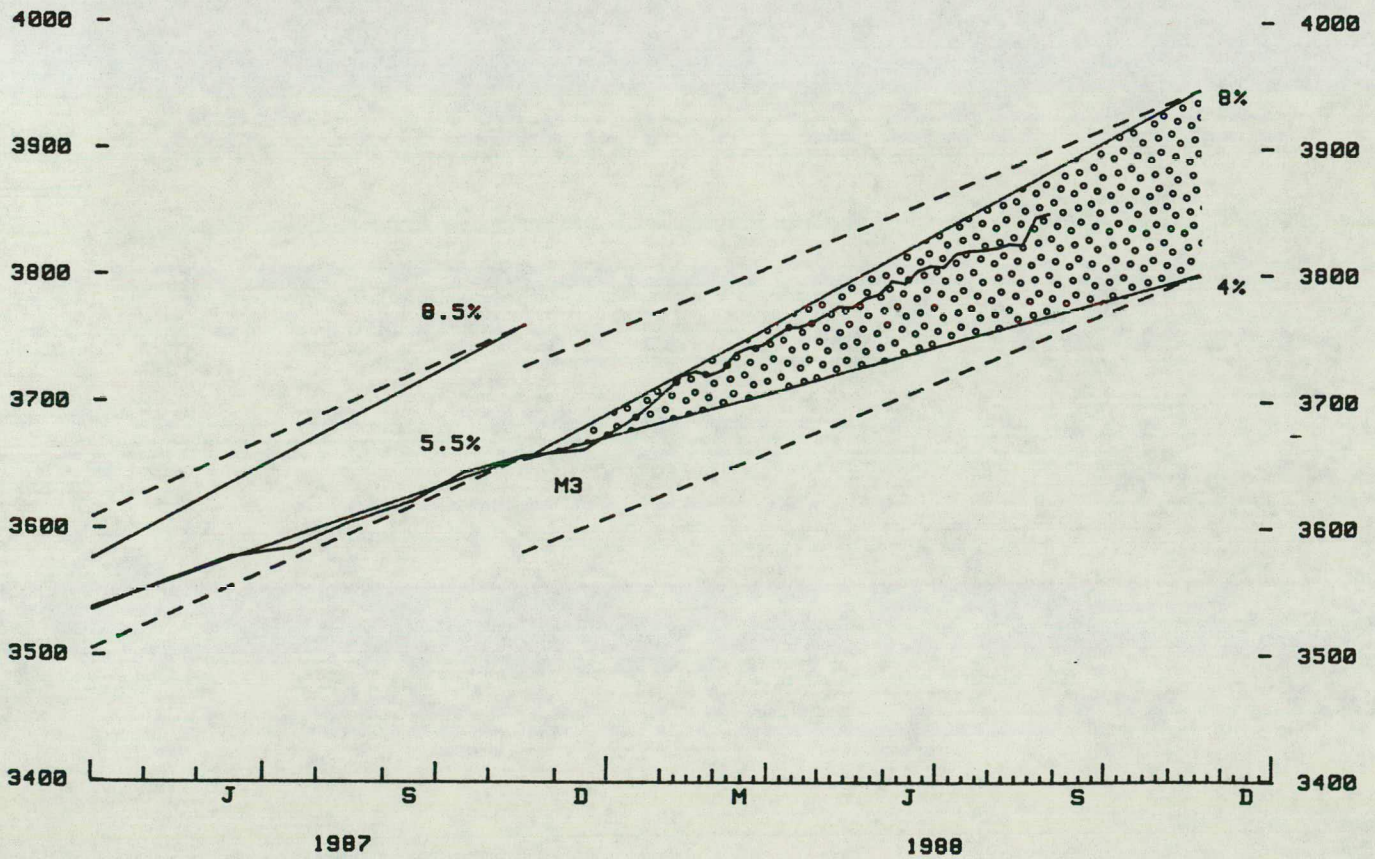
\$bns
- 3200



MONEY SUPPLY (M3)

Chart 4

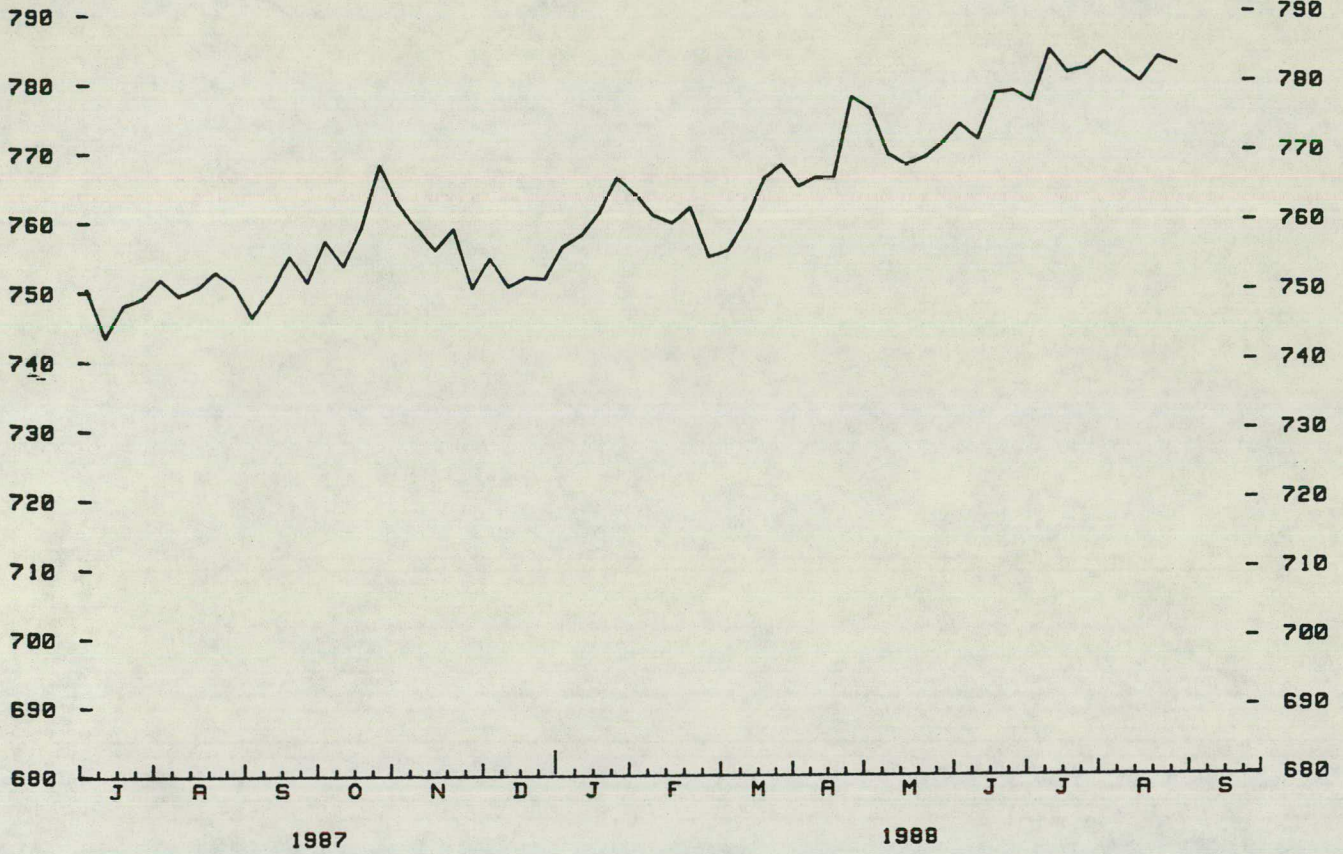
\$bns
- 4000



MONEY SUPPLY (M1)

CHART 5

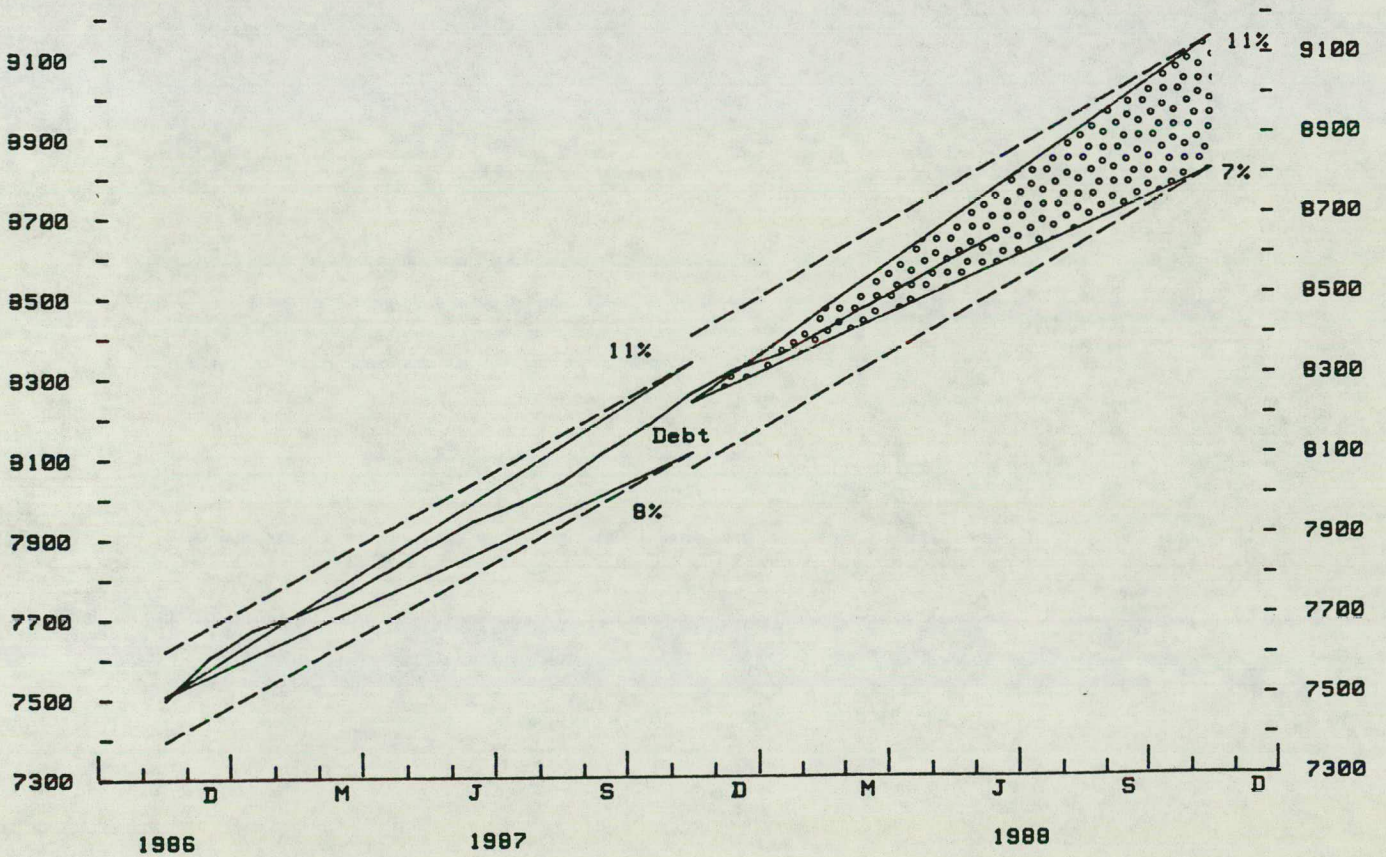
\$bns



CREDIT AGGREGATE

Chart 6

\$bns



✓ mp

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Tuesday 13 September 1988

Previous close		Today		since Plaza	%change \$/currency	
		opening 8.30am	close 4.00pm		since Paris	since 16 October 1987
75.7	£ERI	75.7	75.6	-7.8	9.4	2.7
1.6997	\$/£	1.7000	1.6967	23.5	11.0	1.9
3.1320	DM/£	3.1343	3.135	-19.7	12.3	4.6
1.5116	ECU/£	1.5135	1.513			
98.8	\$ERI	-	98.9	-29.2	-4.9	-1.3
1.8427	DM/\$	1.8437	1.8477	53.7	-1.1	-2.6
133.42	Yen/\$	133.05	133.2	79.1	15.3	7.3

Oct \$12.95 Nov \$13.05 Dec \$13.15 Spot Brent Oct \$13.57 Nov \$13.67 Dec \$13.77

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position
	9	-268	3360	Market intervention	-259
	-45	-161	-970	Off-market transactions	-198
	-36	-429	2390	TOTAL	-457
				Net borrowing	0
				Valuation changes	-14
				TOTAL CHANGE IN RESERVES	-471

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium	-104DM	Germany	-	Italy	-54DM
Denmark	-	Holland	-	Japan	-
France	-	Ireland	-	US	-

MARKET COMMENT Another very quiet day with all major currencies trading in narrow ranges. The US second quarter current account figure came out as expected, - \$34 bn., and had no effect on the rates. The markets are holding their breath awaiting tomorrow's US trade figures

Sterling was again on the side-lines.

Rates at 5:12pm. \$1.6963 DM3.1382 DM/\$1.8500 Yen/\$133.34.

Blair

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.811	7.8105	0.0005
Hang Seng Index	2468.94	2473.6	4.66
3 month interbank rate	8 3/8%	8 5/16%	down 1/16%

NAME: I.C.Polin
TEL NO: 270-5556

S E C R E T

MONEY MARKETS

Tuesday 13th September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	10 1/4	1/8	8 1/16	0
1 mth	11 7/16	1/16	8 3/16	0
3 mth	12 1/16	0	8 5/16	0
12 mth	12 3/16	-1/16	8 3/4	0

BILLS

	Today	Change
3 Month Treasury Bills	11 1/2	-
	11 3/8	1/16

BANK MONEY MARKET OPERATIONS

	Sales £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	70	due 16/9/88 at 10%	10 3/4-1/2
Band 2 (15-31 days)			11 9/32-7/32
Band 3 (32-63 days)			11 5/8-19/32
Band 4 (64-91 days)			11 11/16-21/32
TOTAL BILLS	70		
Repurchase			
Lending			
TOTAL OPERATIONS	70	against surplus	£ 100 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.24	-0.01	8.95	0.03	9.04	0.07

STOCK MARKET

	FT Ind-Ord		FTSE	Gilt index	
Today/Change	1410.1	8.4	1756.3	11.7	86.80
				0.04	

MARKET COMMENT

GILTS opened 1/8 better through the list. Some early demand, mainly in shorts, and probably from the Far East attracted some surplus cash from the building societies and the market advanced by a further 1/8. Sellers appeared at the highest levels and a dull afternoon was spent with prices around the list. A modest rally late in the day brought all sectors to close 1/8 firmer overall.

INDEXED LINKED continued to benefit from recent investment demand and closed with gains of 1/8 to 1/4.

EQUITIES opened firmly on British Gas' attempt to purchase 14.9% of Lasmco; Enterprise Oil and RTZ, large shareholders in Lasmco also improved. It is thought that British Gas has only been able to acquire 2% of the shares so far. The market closed reasonably well as money market rates eased and ahead of tomorrow's US trade figures.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4613

GILT-EDGED MARKET

Tuesday 13th September 198

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September
Gross sales shorts	6.8	17.8
Gross sales mediums	28.0	205.0
Gross sales longs and undated	62.4	338.6
Gross sales index-linked	22.5	160.6
Part paid calls		0.3
Buying in non-next maturities shorts	-7.2	-13.2
Buying in non-next maturities mediums	-34.1	-241.2
Buying in non-next maturities longs	60.4	452.3
Buying in non-next maturities index-linked	-23.7	-198.4
CRND: Market transactions	-15.7	-31.5
TOTAL 'GROSS' SALES	-21.4	-214.3
Buying in of next maturities	11.4	10.7
Redemptions	-0.1	-31.5
TOTAL TRANSACTIONS WITH MARKET	-10.1	-205.0

	Future calls	369
Sales required to meet * target of £ m		

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close		Change from yesterday's close	
	Par yield (per cent)		Price (£/32)	Yield (%)
Shorts	10.424		3	-0.02
Mediums	10.139		7	-0.04
Longs	9.661		2	-0.01

REPRESENTATIVE STOCKS

	Price (£/32)		Yield (per cent)	
	Today	Change	Today	Change
8% Treasury 1992	92 28	3	10.44	-0.03
8 3/4 Treasury 1997 'C'	92 9	2	10.07	-0.03
11 3/4% Treasury 2003/07	113 26	3	9.91	-0.01
3% Treasury 1992	82 9	1	8.63	-0.01
2 1/2% Index-Linked 2016	96 20	6	3.93	-0.01
2% Index-Linked 1994	92 22	2	3.64	-0.02

GILT FUTURES

		Open	Close	Volume
Long Contract	December	93.27	93.24	10623
Medium Contract	0	93.07	92.31	888

NAME: Peter Smith
TEL NO: 270 4613

M

MG EVENING REPORT

Wednesday 14 September 1988

FOREIGN EXCHANGE MARKETS

Previous close		Today		since Plaza	%change \$/currency since Paris	since 16 October 1987
		opening 8.30am	close 4.00pm			
75.6	£ERI	75.5	75.4	-8.0	9.1	2.4
1.6967	\$/£	1.6927	1.6765	22.0	9.7	0.7
3.1350	DM/£	3.1335	3.1451	-19.4	12.7	4.9
1.5130	ECU/£	1.5126	1.515			
98.9	\$ERI	-	99.6	-28.7	-4.2	-0.6
1.8477	DM/\$	1.8512	1.876	51.4	-2.6	-4.0
133.20	Yen/\$	133.40	134.35	77.6	14.3	6.3

Oct \$13.57 Nov \$13.67 Dec \$13.77 Spot Brent Oct \$14.15 Nov \$14.25 Dec \$14.35

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position
	-11	-279	3349	Market intervention	-270
	-9	-170	-979	Off-market transactions	-207
	-20	-449	2370	TOTAL	-477
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-491

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium -	Germany -152\$	Italy -51DM
Denmark -	Holland -	Japan -
France -	Ireland -	US -

MARKET COMMENT

The main story today was the publication of the US trade figures for July. At -\$9.53bn they were more than \$2bn better than market's expectation. With a revision in the June figure from -\$12.5bn to -\$13.2bn, July's showed a substantial improvement. In July imports fell by 8.9% and exports rose by 0.7%. The release of the figures pushed the \$ up by over 2 pfennigs to DM1.87 1/2 where it has traded for most of the afternoon session. Sterling rose against the DM on the back of the strengthening \$ gaining a pfennig on the day after falling back in morning trading. Against the dollar sterling fell 1 1/2 cents.

Rates at 5:10pm. \$1.6755 DM3.1474 DM/\$1.8785 Yen/\$134.5

Ian Polin

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8105	7.8105	0
Hang Seng Index	2473.6	2481.57	7.97
3 month interbank rate	8 5/16%	8 3/8%	up 1/16%

NAME: I.C. Polin
TEL NO: 270-5556

MONEY MARKETS

Wednesday 14th September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	10 5/16	1/16	8 1/16	0
1 mth	11 17/32	3/32	8 3/16	0
3 mth	12 3/32	1/32	8 1/4	-1/16
12 mth	12 3/16	0	8 11/16	-1/16

BILLS

	Today	Change
3 Month Treasury Bills	11 1/2	0

BANK MONEY MARKET OPERATIONS

	£ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	100	Due 20/9/88 at 10 1/8	10 3/4-1/2
Band 2 (15-31 days)		10 3/16	11 9/32-7/32
Band 3 (32-63 days)			11 5/8-19/32
Band 4 (64-91 days)			11 11/16-21/32
TOTAL BILLS	100		
Repurchase			
Lending			
TOTAL OPERATIONS	100	against surplus	£ 100 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.20	-0.04	8.92	-0.03	9.01	-0.03

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1417.8	7.7	1765.1	8.8	86.88	0.08

MARKET COMMENT

GILTS opened a little softer-by 1/16 in shorts and mediums and 1/8 in longs-but quickly recouped these losses. This morning's UK statistics were taken quietly but the market advanced with the US bond following the reduced US trade deficit. At close, shorts were 1/4 firmer, mediums 1/8 better and longs 1/4 harder.

INDEXED LINKED closed with gains of a 1/4 to 1/8, the shorter maturities in particular performing well.

EQUITIES opened virtually unchanged on news of Standard Chartered's 1:2 rights issue to raise 303 mn and Lasmo's intention to sell its 25% holding in Enterprise Oil. News that industrial production rose by 0.4% in July had little effect. The market advanced on the reduced US trade deficit for July of \$9.53bn and held these gains throughout the afternoon. RHM moved up on rumours that Goldman Fielder had found a buyer for its 29.9% holding.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4613

GILT-EDGED MARKET

Wednesday 14th September 1

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September
Gross sales shorts	4.8	22.6
Gross sales mediums	57.0	262.0
Gross sales longs and undated	32.2	370.8
Gross sales index-linked	17.7	178.3
Part paid calls		0.3
Buying in non-next maturities shorts		-13.2
Buying in non-next maturities mediums	-50.8	-292.0
Buying in non-next maturities longs	-46.6	-498.9
Buying in non-next maturities index-linked	-17.5	-215.9
CRND: Market transactions	3.6	-27.9
TOTAL 'GROSS' SALES	0.4	-213.9
Buying in of next maturities	-10.5	0.2
Redemptions	-0.1	-27.9
TOTAL TRANSACTIONS WITH MARKET	-10.2	-215.2

Future calls | 369 |

Sales required to meet * target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close		Change from yesterday's close	
	Par	yield (per cent)	Price (£/32)	Yield (%)
Shorts	10.377		1	-0.01
Mediums	10.125		2	-0.01
Longs	9.649		7	-0.02

REPRESENTATIVE STOCKS

	Price (£/32)		Yield (per cent)	
	Today	Change	Today	Change
8% Treasury 1992	93	4	10.40	-0.04
8 3/4% Treasury 1997 'C'	92 14	5	10.05	-0.02
11 3/4% Treasury 2003/07	114 2	8	9.88	-0.03
3% Treasury 1992	82 12	3	8.61	-0.02
2 1/2% Index-Linked 2016	96 28	8	3.92	-0.01
2% Index-Linked 1994	93	10	3.59	-0.05

GILT FUTURES

		Open	Close	Volume
Long Contract	December	93.20	94.00	14159
Medium Contract	0	92.30	93.03	121

NAME: Peter Smith
TEL NO: 270 4613

MG EVENING REPORT

Thursday 15 September 1988

FOREIGN EXCHANGE MARKETS

Previous close		Today		since Plaza	%change \$/currency since Paris	since 16 October 1987
		opening 8.30am	close 4.00pm			
75.4	£ERI	75.4	75.4	-8.0	9.1	2.4
1.6765	\$/£	1.6770	1.6777	22.1	9.8	0.8
3.1451	DM/£	3.1444	3.1482	-19.3	12.8	5.0
1.5150	ECU/£	1.5168	1.5185			
99.6	\$ERI	-	99.6	-28.7	-4.2	-0.6
1.8760	DM/\$	1.8750	1.8765	51.4	-2.7	-4.0
134.35	Yen/\$	134.15	133.85	78.2	14.7	6.7

Oct \$14.15 Nov \$14.25 Dec \$14.35 Spot Brent Oct \$13.80 Nov \$13.95 Dec \$14.10

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position
	21	-258	3370	Market intervention	-249
	-17	-187	-996	Off-market transactions	-210
	4	-445	2374	TOTAL	-459
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-473

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium -	Germany -	Italy -
Denmark -	Holland -	Japan -
France -	Ireland -	US -130\$ agst DM(14 Sep)

MARKET COMMENT

The dollar initially rose in New York last night on the back of better than expected US trade figures for July but towards the close it eased off its highs on reports of Fed. intervention (true). Far East markets were very thin and quiet as Japan closed for holiday. The dollar began today with a bullish undertone but its upward pull was limited for fear of further Central Bank intervention. US retail sales figures of +0.2% were a little worse than expected but had minimal effect on rates. Dollar trading range very narrow during the day. Sterling remains very firm against the Mark on the back of a slightly firmer dollar with the markets shrugging off the mixed UK economic indicators.

Rates at 6.20PM: \$1.6790 DM3.1510 DM/\$1.8767 Y/\$133.87

Ian Palmer

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8105	7.8105	0
Hang Seng Index	2481.57	2474.08	7.49
3 month interbank rate	8 3/8%	8 5/16%	DOWN 1/16%

S E C R E T

MONEY MARKETS

Thursday 15th September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	11 1/2	1 3/16	8 1/16	0
1 mth	11 11/16	5/32	8 3/16	0
3 mth	12 5/16	7/32	8 1/4	0
12 mth	12 5/16	1/8	8 11/16	0

BILLS

	Today	Change
3 Month Treasury Bills	11 11/16 -	11 7/16 1/16

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			11 3/4
Band 2 (15-31 days)			11 5/8-9/16
Band 3 (32-63 days)			11 3/4-11/16
Band 4 (64-91 days)	234	11 11/16	11 3/4-23/32
TOTAL BILLS	234		
Repurchase			
Lending	85		
TOTAL OPERATIONS	319	against shortage £ 400 m	

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.15	-0.05	8.88	-0.04	8.98	-0.03

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1422.0	4.2	1769.3	4.2	86.71	-0.17

MARKET COMMENT

GILTS opened easier by 1/16-1/8 - following Chancellor's remarks on inflation. By mid-morning the losses were all but erased. The mornings statistics-unemployment, earnings and unit labour costs were taken without much discomfort. This afternoon the market sold off. The proximate cause was failure of US bonds to levels. Underlying that however the significantly higher cost of overnight money took its toll and tended to feed the markets fears for tomorrows RPI.

INDEX-LINKED met good demand, longs gained 1/4 and shorts 1/2. The latter gaining on forecasts of inflation at or above 7% by early next year.

EQUITIES after mixed opening the market eased ahead but slipped back on news of 9% annual increase in average earnings. Since then prices have gradually drifted easier.

C. Davey

NAME: Carl Davey
TEL NO: 270 4613

GILT-EDGED MARKET

Thursday 15th September 19

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September
Gross sales shorts	12.7	35.3
Gross sales mediums	31.8	293.8
Gross sales longs and undated	14.9	385.7
Gross sales index-linked	31.5	209.8
Part paid calls		0.3
Buying in non-next maturities shorts	-7.8	-21.0
Buying in non-next maturities mediums	-17.8	-309.8
Buying in non-next maturities longs	-40.0	-538.9
Buying in non-next maturities index-linked	-31.0	-246.9
CRND: Market transactions	0.8	-27.1
TOTAL 'GROSS' SALES	-4.9	-218.8
Buying in of next maturities	-18.0	-17.8
Redemptions	-0.2	-1.8
TOTAL TRANSACTIONS WITH MARKET	-23.1	-238.3
		Future calls
		369
Sales required to meet * target of £ m		

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close	Change from yesterday's close	
		Price (£/32)	Yield (%)
Shorts	10.356	-6	0.05
Mediums	10.105	-11	0.06
Longs	9.626	-12	0.04

REPRESENTATIVE STOCKS

	Price (£/32)		Yield (per cent)	
	Today	Change	Today	Change
8% Treasury 1992	92 24	-8	10.49	0.09
8 3/4 Treasury 1997 'C'	92 4	-10	10.11	0.06
11 3/4% Treasury 2003/07	113 20	-14	9.93	0.05
3% Treasury 1992	82 12	0	8.61	0.00
2 1/2% Index-Linked 2016	97 4	8	3.90	-0.02
2% Index-Linked 1994	93 16	16	3.49	-0.10

GILT FUTURES

		Open	Close	Volume
Long Contract	December	93.28	93.18	16857
Medium Contract	0	93.02	92.28	77

NAME: Carl Davey
TEL NO: 270 4613

WEEKLY INTEREST/EXCHANGE RATE AND COMMODITY PRICE TABLES

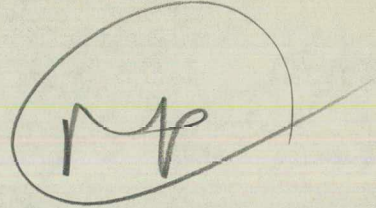
CIRCULATION LIST

DATE: 16th SEPTEMBER 1988

CHANCELLOR'S OFFICE

MR. S. BROOKS 88/G
MR. J.W. GRICE 89/G
MISS R. MCROBBIE 107/G
MISS M. O'MARA 108/G
MRS C. RYDING 110/G
MR. P. MOUNTFIELD 80/1
MR. J. ODLING-SMEE 45/2
MR. N.J. MONCK 46/2
SIR P.E. MIDDLETON 78A/2
MR. H. WALSH 108/3
Ms. V.F. LIFE 109/3
MR. M.C. SCHOLAR 87/2
MR. S. PICKFORD 97/2
MR. P.S. CURWEN 98/2
MR. J. MCLAREN 33/3
SIR J.G. LITTLER 113/2
MR. R. MOLAN 81/1
MR. R.E. DEANE 41/3
MR. T.P. LANKESTER 116/2
SIR T. BURNS 119/2
MR. A.M. DOLPHIN 32/3
MR. M. LYON 34/3
MR. D. OWEN 36/3
Ms. C. TURK 35A/3
MR. P.N. SEDGWICK 39/3
MR. S.W. MATTHEWS 104/3
MR. D. SAVAGE 106/3
MR. H.P. EVANS 107/3
MR. W. HOOD 30A/3
MR. PERETZ 84/G
MR. P. ELWOOD 106/3
MR. D. RAMSDEN 106/3
MR. G. YOUNG 112/G

Please inform Bina Doshi (ext: 5374 - room : 31/3) if there are any changes to be made to this list.



THREE MONTH INTEREST RATES IN THE SIX MAJOR COUNTRIES

		-WORLD BASKETS-											-UNCOVERED DIFFERENTIALS-	
		USING												
		(A) (B) UK RATE UK-												
		EURO USA CD EURODOL INTER WORLD UK- UK-												
		CANADA FRANCE GERMANY ITALY JAPAN USA DOLLAR RATE RATE BANK BASKET USA GERMANY												
		1 2 3 4 5 6 7 8 9 10 11 12 13												
1987	QTR1	7.45	8.26	4.18	11.48	4.24	6.05	6.34	6.20	6.30	10.60	4.40	4.27	6.42
	QTR2	8.41	8.13	3.80	10.64	3.92	6.85	7.07	6.27	6.34	9.18	2.91	2.11	5.38
	QTR3	8.99	7.89	3.97	12.00	4.08	6.98	7.15	6.45	6.51	9.81	3.36	2.66	5.84
	QTR4	8.88	8.47	4.13	11.76	4.54	7.76	7.96	6.84	6.91	9.20	2.36	1.23	5.07
1988	QTR1	8.55	7.94	3.41	11.11	4.36	6.74	6.91	6.18	6.24	9.01	2.83	2.10	5.60
	QTR2	9.05	7.81	3.62	10.91	4.49	7.25	7.41	6.37	6.42	8.34	1.97	0.93	4.72
1987	SEP	9.32	7.88	4.03	12.56	4.15	7.43	7.56	6.69	6.73	10.12	3.44	2.56	6.09
	OCT	9.20	8.19	4.79	12.13	4.80	8.21	8.48	7.13	7.22	9.93	2.81	1.45	5.14
	NOV	8.63	8.61	3.95	11.58	4.34	7.39	7.55	6.67	6.73	8.97	2.30	1.42	5.02
	DEC	8.89	8.56	3.70	11.63	4.47	7.76	7.96	6.75	6.82	8.75	2.00	0.79	5.05
1988	JAN	8.65	8.31	3.44	10.91	4.35	6.96	7.17	6.31	6.38	8.92	2.61	1.75	5.47
	FEB	8.50	7.58	3.37	11.00	4.32	6.63	6.79	6.07	6.12	9.22	3.15	2.43	5.85
	MAR	8.53	8.03	3.42	11.44	4.40	6.65	6.79	6.20	6.25	8.83	2.64	2.04	5.41
	APR	8.83	8.13	3.43	10.88	4.19	6.92	7.11	6.25	6.32	8.32	2.06	1.21	4.89
	MAY	8.98	7.90	3.56	10.78	4.27	7.27	7.44	6.36	6.42	8.03	1.67	0.59	4.47
	JUN	9.34	7.39	3.89	11.13	4.42	7.56	7.67	6.49	6.53	8.74	2.24	1.07	4.85
	JUL	9.34	7.33	4.95	11.28	4.80	7.94	8.23	6.85	6.90	10.53	3.68	2.30	5.58
	AUG	9.80	7.63	5.35	11.28	4.88	8.38	8.50	7.25	7.28	11.25	4.00	2.75	5.90
1988	JUN 27	9.24	7.50	4.38	11.25	4.52	7.65	7.75	6.65	6.68	9.58	2.93	1.83	5.20
	JUL 4	9.23	7.31	4.50	11.25	4.83	7.70	7.81	6.65	6.69	10.14	3.49	2.33	5.64
	JUL 11	9.35	7.25	4.95	11.12	4.72	7.90	8.06	6.82	6.87	10.22	3.40	2.16	5.27
	JUL 18	9.39	7.38	5.35	11.25	4.88	8.05	8.31	6.98	7.07	11.03	4.05	2.72	5.68
	JUL 25	9.40	7.38	5.00	11.38	4.78	8.12	8.75	6.94	6.98	10.72	3.78	1.97	5.72
	AUG 1	9.49	7.38	5.35	11.38	4.75	8.15	8.25	7.01	7.04	10.81	3.80	2.56	5.46
	AUG 8	9.66	7.38	5.25	11.25	4.83	8.20	8.37	7.00	7.01	10.91	3.91	2.54	5.66
	AUG 15	9.93	7.69	5.38	11.25	4.92	8.50	8.69	7.39	7.46	11.03	3.64	2.34	5.65
	AUG 22	9.90	7.75	5.40	11.25	4.95	8.55	8.62	7.43	7.45	11.41	3.98	2.79	6.01
	AUG 29	10.00	7.94	5.38	11.25	4.94	8.50	8.56	7.43	7.45	12.09	4.66	3.53	6.71
	SEPT 5	10.14	8.00	5.00	11.38	5.09	8.42	8.37	7.38	7.37	12.34	4.96	3.97	7.34
	SEPT 12	10.32	8.10	5.00	11.63	5.01	8.24	8.37	7.35	7.40	12.13	4.78	3.76	7.13

Column 1. 90 DAY BANKERS ACCEPTANCES
 Column 2. 3 MONTH MONEY MARKET RATE
 Column 3. 3 MONTH INTER BANK
 Column 4. 3 MONTH INTER BANK
 Column 5. 3 MONTH CERTIFICATE OF DEPOSIT
 Column 6. 3 MONTH CERTIFICATE OF DEPOSIT IN NEW YORK
 Column 11. USA CD RATE(COLUMN 8) USED FOR WORLD BASKET
 Column 12. 3 MONTH EURODOLLAR RATE(COLUMN 7) USED FOR USA

QUARTERLY AND MONTHLY FIGURES ARE AVERAGES OF THE WEEKLY DATA
 THE WEEKLY FIGURES REPRESENT THE CLOSING VALUES FOR THAT DATE

USA INTEREST RATES

		----- THREE MONTH RATES -----			10 YEAR	
		TREASURY		EURO	COMMERCIAL	
		BILLS	CD'S	DOLLAR	BOND	
		(RUST)	NEW YORK	(REU)	MOODY AAA	
		(V2626)		(V2627)	(REB)	
		FED FUNDS			(V2625)	
		(OVERNIGHT)				
1987	QTR1	6.16	5.66	6.05	6.34	8.37
	QTR2	6.60	5.87	6.85	7.07	9.16
	QTR3	6.82	6.08	6.98	7.15	9.72
	QTR4	6.98	5.92	7.76	7.96	10.22
1988	QTR1	6.67	5.86	6.74	6.91	9.57
	QTR2	7.09	6.40	7.25	7.41	9.81
1987	AUG	6.75	6.05	6.81	7.02	9.66
	SEP	7.12	6.47	7.43	7.56	10.14
	OCT	7.36	6.24	8.21	8.48	10.55
	NOV	6.81	5.74	7.39	7.55	10.05
	DEC	6.82	5.82	7.76	7.96	10.11
1988	JAN	6.82	5.92	6.96	7.17	9.97
	FEB	6.62	5.81	6.63	6.79	9.41
	MAR	6.56	5.87	6.65	6.79	9.39
	APR	6.75	6.04	6.92	7.11	9.65
	MAY	7.04	6.48	7.27	7.44	9.89
	JUN	7.50	6.65	7.56	7.67	9.87
	JUL	7.69	6.91	7.94	8.11	9.94
	AUG	8.05	7.26	8.38	8.50	10.09
1988	MAY 2	6.94	6.38	7.10	7.25	9.76
	MAY 9	6.87	6.48	7.20	7.37	9.84
	MAY 16	7.00	6.43	7.20	7.37	9.83
	MAY 23	7.12	6.48	7.35	7.50	9.97
	MAY 30	7.25	6.62	7.50	7.69	10.04
	JUN 6	7.44	6.63	7.48	7.62	9.98
	JUN 13	7.44	6.62	7.50	7.56	9.89
	JUN 20	7.56	6.57	7.62	7.75	9.86
	JUN 27	7.56	6.79	7.65	7.75	9.80
	JUL 4	7.50	6.73	7.70	7.81	9.82
	JUL 11	7.56	6.91	7.90	8.06	9.88
	JUL 18	7.81	6.90	8.05	8.31	10.00
	JUL 25	7.87	7.10	8.12	8.25	10.04
	AUG 1	7.87	7.11	8.15	8.25	10.03
	AUG 8	7.75	7.10	8.20	8.37	10.02
	AUG 15	8.37	7.27	8.50	8.69	10.15
	AUG 22	8.06	7.27	8.55	8.62	10.15
	AUG 29	8.19	7.55	8.50	8.56	10.10
	SEPT 5	8.09	7.42	8.42	8.37	10.08
	SEPT 12	8.00	7.44	8.24	8.37	9.93

QUARTLERLY AND MONTHLY FIGURES ARE AVERAGES OF THE AVAILABLE WEEKLY DATA

DOLLAR EXCHANGE RATES WITH FIVE MAJOR OECD COUNTRIES

EFFECTIVE		FRANCE	GERMANY	ITALY	JAPAN	CANADA	
EXCHANGE RATE							
1987	QTR1	104.2	6.13	1.84	1306	153.2	1.34
	QTR2	101.1	6.03	1.81	1300	142.6	1.33
	QTR3	102.5	6.13	1.84	1331	150.0	1.32
	QTR4	97.0	5.75	1.71	1249	135.7	1.31
1988	QTR1	94.2	5.67	1.68	1236	128.1	1.27
	QTR2	93.5	5.78	1.71	1268	125.7	1.23
1987	AUG	103.3	6.20	1.86	1346	147.6	1.33
	SEP	100.9	6.05	1.81	1309	143.1	1.32
	OCT	100.5	6.02	1.80	1302	143.3	1.31
	NOV	96.5	5.71	1.68	1239	135.4	1.32
	DEC	93.9	5.54	1.64	1205	128.5	1.31
1988	JAN	93.9	5.59	1.66	1218	127.9	1.29
	FEB	95.0	5.73	1.70	1249	129.2	1.27
	MAR	93.6	5.69	1.68	1240	127.1	1.25
	APR	92.7	5.68	1.67	1241	124.9	1.24
	MAY	93.0	5.73	1.69	1259	124.8	1.24
	JUN	94.8	5.93	1.76	1304	127.4	1.22
	JUL	98.1	6.22	1.85	1366	133.1	1.21
	AUG	99.5	6.39	1.89	1394	133.64	1.22
1988	APR 4	92.7	5.66	1.67	1237	125.2	1.24
	APR 11	93.4	5.72	1.69	1251	126.5	1.24
	APR 18	92.1	5.63	1.66	1232	124.0	1.23
	APR 25	92.7	5.70	1.68	1246	124.8	1.23
	MAY 2	92.7	5.70	1.68	1248	124.7	1.23
	MAY 9	92.8	5.70	1.69	1249	124.7	1.24
	MAY 16	92.7	5.73	1.69	1254	124.9	1.24
	MAY 23	93.2	5.75	1.70	1263	124.5	1.24
	MAY 30	93.7	5.82	1.73	1283	125.1	1.23
	JUN 6	94.0	5.80	1.72	1277	126.1	1.23
	JUN 13	93.7	5.82	1.72	1282	125.1	1.22
	JUN 20	94.4	5.93	1.76	1305	126.2	1.21
	JUN 27	97.0	6.14	1.82	1349	130.8	1.21
	JUL 4	98.5	6.16	1.83	1358	135.5	1.22
	JUL 11	98.1	6.21	1.85	1367	133.0	1.21
	JUL 18	99.4	6.34	1.88	1392	134.6	1.21
	JUL 25	97.5	6.23	1.85	1362	132.0	1.21
	AUG 1	98.7	6.32	1.86	1383	132.7	1.21
	AUG 8	99.6	6.41	1.90	1403	133.8	1.21
	AUG 15	99.3	6.38	1.88	1395	133.3	1.23
	AUG 22	100.4	6.51	1.92	1403	134.0	1.23
	AUG 29	99.6	6.32	1.87	1386	134.4	1.24
	SEPT 5	99.9	6.28	1.84	1378	133.7	1.24
	SEPT 12	98.8	6.28	1.85	1379	133.4	1.24

STERLING EXCHANGE RATES WITH FIVE MAJOR OECD COUNTRIES

EFFECTIVE

	EXCHANGE RATE	FRANCE	GERMANY	ITALY	JAPAN	USA
1987 QTR1	69.7	9.45	2.84	2015	236.3	1.54
QTR2	72.8	9.89	2.96	2132	234.2	1.64
QTR3	72.7	9.92	2.97	2152	237.9	1.62
QTR4	74.7	10.08	2.99	2188	237.8	1.76
1988 QTR1	75.1	10.18	3.01	2217	229.8	1.80
QTR2	77.8	10.64	3.14	2335	231.7	1.84
1987 AUG	72.4	9.89	2.96	2150	235.5	1.60
SEP	73.0	9.97	2.99	2157	236.3	1.65
OCT	73.2	9.99	3.00	2162	238.4	1.66
NOV	75.0	10.12	2.98	2199	240.1	1.78
DEC	75.8	10.12	2.99	2201	234.2	1.83
1988 JAN	75.3	10.05	2.97	2189	230.2	1.81
FEB	74.3	10.08	2.98	2196	227.1	1.75
MAR	75.9	10.43	3.07	2273	232.8	1.84
APR	77.8	10.65	3.13	2329	234.8	1.88
MAY	78.5	10.74	3.17	2357	234.0	1.88
JUN	76.8	10.52	3.11	2314	225.7	1.77
JUL	75.8	10.55	3.13	2319	226.4	1.69
AUG	76.3	10.84	3.20	2371	226.7	1.70
1988 APR 4	76.7	10.59	3.12	2313	233.9	1.88
APR 11	78.1	10.60	3.12	2318	234.9	1.85
APR 18	78.3	10.72	3.15	2347	236.2	1.90
APR 25	78.3	10.68	3.14	2337	234.0	1.87
MAY 2	78.7	10.70	3.15	2341	234.7	1.88
MAY 9	78.4	10.72	3.16	2349	234.5	1.88
MAY 16	77.9	10.82	3.19	2369	236.0	1.89
MAY 23	79.0	10.75	3.18	2362	232.8	1.87
MAY 30	78.3	10.73	3.19	2364	232.0	1.86
JUN 6	78.2	10.46	3.09	2302	227.3	1.80
JUN 13	76.2	10.58	3.13	2329	227.3	1.81
JUN 20	76.8	10.58	3.14	2329	225.3	1.78
JUN 27	76.2	10.45	3.10	2297	222.8	1.70
JUL 4	76.2	10.37	3.08	2285	228.0	1.68
JUL 11	75.0	10.49	3.12	2311	224.8	1.69
JUL 18	75.1	10.59	3.14	2325	224.8	1.67
JUL 25	76.8	10.75	3.19	2353	228.0	1.73
AUG 1	76.4	10.84	3.21	2371	227.5	1.71
AUG 8	76.5	10.88	3.23	2381	227.0	1.70
AUG 15	76.5	10.93	3.22	2390	228.3	1.71
AUG 22	76.2	10.91	3.22	2381	224.8	1.68
AUG 29	75.8	10.66	3.14	2334	226.0	1.69
SEPT 5	75.7	10.65	3.13	2332	229.3	1.69
SEPT 12	75.7	10.65	3.13	2339	226.3	1.70

ECONOMIST COMMODITY PRICE INDICES

1985=100

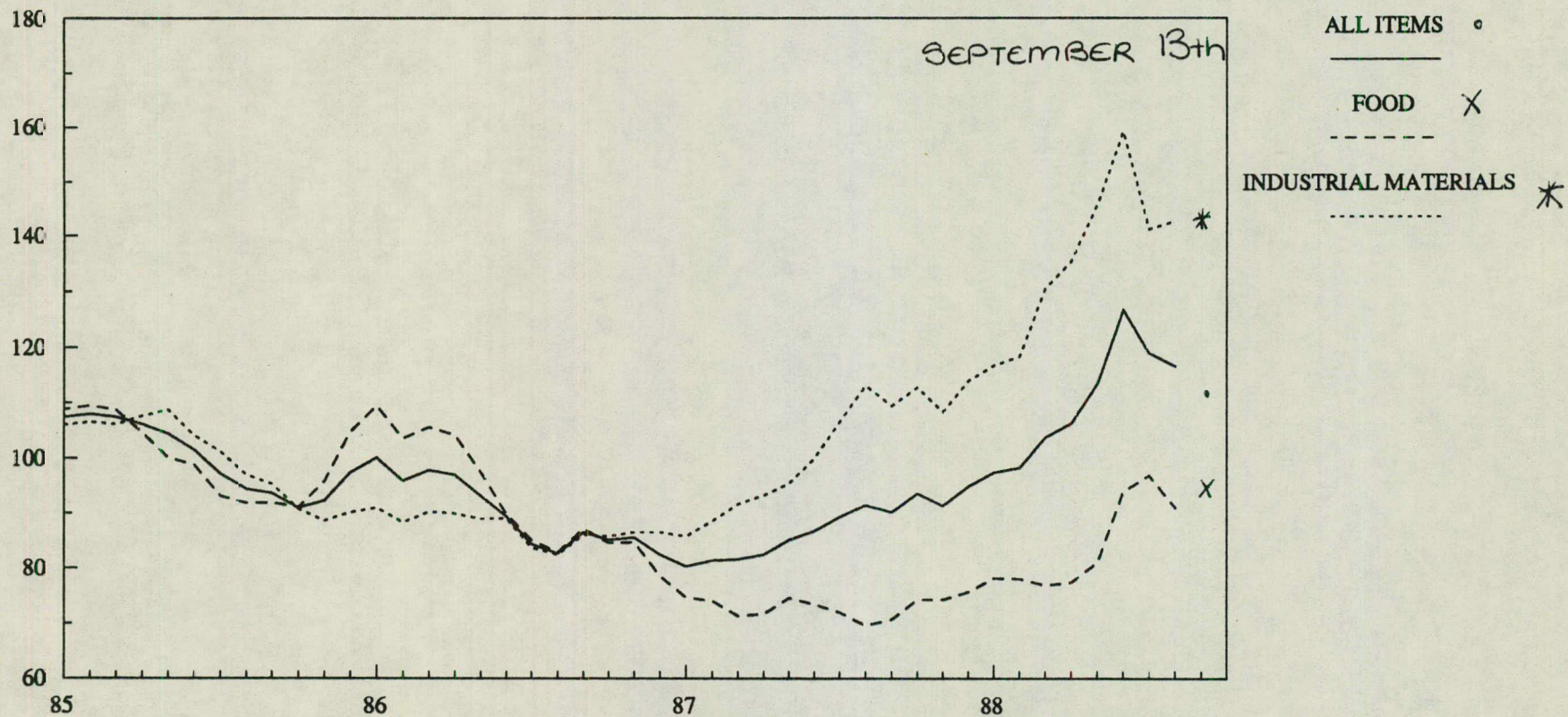
Annual -----	All items indices -----				SDR indices -----		
	SDR	Dollar	Sterling	Real*	Food	Nfa**	Metals
1980	104.4	133.7	74.0	115.6	96.7	106.2	118.6
1981	99.3	115.2	73.5	105.3	93.7	104.7	106.2
1982	91.8	99.9	73.4	94.3	89.3	96.0	93.8
1983	107.2	112.7	95.7	110.4	102.0	116.6	110.1
1984	110.3	111.5	107.2	113.1	112.3	111.6	106.2
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	89.8	103.7	90.6	86.4	92.4	89.9	85.4
1987	87.4	111.5	87.1	82.2	73.0	103.3	100.6
Quarterly -----							
1986 Q3	84.6	100.2	86.2	81.8	85.1	85.5	83.1
Q4	84.2	100.1	89.5	80.2	82.2	91.0	82.8
1987 Q1	81.0	100.8	83.5	76.5	73.2	95.2	84.3
Q2	84.9	108.2	84.4	80.0	73.2	102.6	92.1
Q3	90.2	113.4	90.0	83.8	70.7	111.9	108.0
Q4	93.4	123.7	90.3	88.4	74.7	103.3	117.9
1988 Q1	99.8	134.6	95.9	94.6	77.6	105.5	133.4
Q2	115.5	155.7	108.8	107.6	84.0	115.1	169.1
Monthly -----							
July	89.3	111.5	88.9		71.9	109.4	104.4
August	91.4	114.2	91.8		69.6	115.0	111.7
September	90.1	114.5	89.3		70.7	111.4	107.9
October	93.5	119.3	92.3		74.2	106.8	117.0
November	91.3	121.3	88.1		74.2	101.4	113.3
December	94.8	129.1	90.5		75.6	102.1	122.4
January	97.4	132.2	94.1		78.1	102.7	126.6
February	98.2	131.2	95.6		78.0	106.5	126.7
March	103.8	140.3	98.0		76.8	107.3	157.0
April	106.4	144.9	99.1		77.3	110.5	152.8
May	113.4	153.8	105.7		80.9	114.1	168.2
June	126.7	168.4	121.6		93.9	120.8	186.4
July	119.1	152.9	115.1		96.9	117.7	157.6
August	116.9	148.9	112.5		91.0	113.5	163.1
Weekly -----							
July 26	117.3	150.9	112.9		92.1	115.1	161.8
August 2	113.6	145.7	109.2		89.9	114.8	153.0
9	117.4	149.4	113.5		92.8	114.9	160.9
16	117.2	149.5	111.5		91.4	115.0	162.4
23	118.4	149.8	114.4		90.2	111.6	171.0
30	117.8	150.1	113.8		90.8	111.4	168.1
Sept 6	116.5	148.8	112.0		93.1	112.1	159.2
13(prov)	114.5	146.8	110.9		92.1	110.6	155.4
% ch. on one yr	+26.6	+28.9	+24.7		+30.0	-1.9	+47.1

* In relation to prices of manufactured exports. Recent figures are estimated.

** Non-food agriculturals.

ECONOMIST SDR COMMODITY PRICE INDICES

1985 = 100



AA
Buy 1 go to
Berlin, 1 sell
was 5 cents
what for
pull
end - sup
instants.
ppp

FOREIGN EXCHANGE MARKETS

MG EVENING REPORT

Friday 16 September 1988

Previous close		Today		since Plaza	since Paris	since 16 October 1987
		opening 8.30am	close 4.00pm			
75.4	£ERI	75.4	75.4	-8.0	9.1	2.4
1.6777	\$/£	1.6775	1.6762	22.0	9.7	0.7
3.1482	DM/£	3.1403	3.1446	-19.4	12.7	4.9
1.5185	ECU/£	1.5155	1.5155			
99.6	\$ERI	-	99.6	-28.7	-4.2	-0.6
1.8765	DM/\$	1.8720	1.876	51.4	-2.6	-4.0
133.85	Yen/\$	133.75	134.2	77.8	14.4	6.5

Oct \$13.80 Nov \$13.95 Dec \$14.10 Spot Brent Oct \$13.65 Nov \$13.80 Dec \$13.95

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position
	4	-254	3374	Market intervention	-245
	-3	-190	-999	Off-market transactions	-212
	1	-444	2375	TOTAL	-457
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-471

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium -	Germany -	Italy -
Denmark -	Holland -	Japan -
France -	Ireland +57DM	US -

MARKET COMMENT

After a quiet overnight session where the market concentrated on trading in cross currencies (i.e. DM/Y etc.), the dollar again traded in a narrow range with a high of DM1.8775 but not willing to test the resolve of the Fed. by pushing it above DM1.88 before the weekend. Market talk remains bullish for the dollar. The Yen lost ground today particularly against the Deutschemark. Sterling was the focus of market attention today. It opened easier on the back of forecasts in the morning press of the RPI figure. But when a yearly RPI figure of 5.7% was published sterling rose and ended the day slightly firmer from where it began although slightly easier as against last night closing rates.

Rates at 6.05PM: \$1.6785 DM3.1422 DM/\$1.8720 Y/\$134.15

Ian Polun

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8105	7.81	0.0005
Hang Seng Index	2474.08	2458.82	-15.26
3 month interbank rate	8 5/16%	8 7/16%	UP 1/8%

Terry Smeeton

NAME: I.C. Polin
 TEL NO: 270-5556

MONEY MARKETS

Friday 16th September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	11	-1/2	8 1/16	0
1 mth	11 5/8	-1/16	8 1/4	1/16
3 mth	12 3/16	-1/8	8 5/16	1/16
12 mth	12 5/16	0	8 3/4	1/16

BILLS

	Today	Change
3 Month Treasury Bills	11 11/16 -	11 1/2 1/16

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			11 3/8
Band 2 (15-31 days)			11 1/2-7/16
Band 3 (32-63 days)			11 3/4-11/16
Band 4 (64-91 days)	326	11 11/16	11 3/4-23/32
TOTAL BILLS	326		
Repurchase			
Lending		Average rate of dicount 11.6348%	
TOTAL OPERATIONS	326	against shortage £ 300 m	

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.18	0.03	8.91	0.03	9.00	0.02

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1421.3	-0.7	1766.7	-2.6	86.70	-0.01

MARKET COMMENT

GILTS opened easier by 1/4 through the list. Continuing worries about inflation lay behind the nervousness. Although the market moved a little easier still, some good two way business developed at the lower levels and these were held through to the announcement of the RPI. When this proved to be no worse than suggested, some short covering began and this persisted throughout the afternoon, securing a close at best levels, with all sectors just 1/16 easier.

INDEXED LINKED were bid from the start and gained up to 3/8 at one stage. Sellers appeared at the higher levels but the market was still 1/4 better at the close.

EQUITIES opened easier in anticipation of a sharp increase in the RPI. Prices recovered some of the lost ground prior to the announcement which showed that annual inflation had jumped to 5.7%; the PSBR surplus for August of 1.5bn was largely ignored. The Account closed in moderate trading at just below's Thursday's close

Peter Smith

NAME: Peter Smith
TEL NO: 270 4613

GILT-EDGED MARKET

Friday 16th September 1988

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September	
Gross sales shorts	5.1	40.4	
Gross sales mediums		293.8	
Gross sales longs and undated	14.4	400.1	
Gross sales index-linked	17.9	227.7	
Part paid calls	0.1	0.4	
Buying in non-next maturities shorts	-5.0	-26.0	
Buying in non-next maturities mediums	-10.2	-320.0	
Buying in non-next maturities longs	-18.6	-557.5	
Buying in non-next maturities index-linked	-26.2	-273.1	
CRND: Market transactions	-0.1	-27.2	
TOTAL 'GROSS' SALES	-22.6	-241.4	
Buying in of next maturities	-11.0	-28.8	
Redemptions	-4.7	-64	
TOTAL TRANSACTIONS WITH MARKET	-38.3	-276.6	
			Future calls
			369
Sales required to meet	*	target of	£ m
			=====

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close		Change from yesterday's close	
	Par	yield (per cent)	Price (£/32)	Yield (%)
Shorts	10.428		-2	0.02
Mediums	10.156		-1	0.01
Longs	9.671		1	-0.00

REPRESENTATIVE STOCKS

	Price (£/32)			Yield (per cent)	
	Today	Change	Today	Change	
8% Treasury 1992	92 22	-2	10.52	0.03	
8 3/4 Treasury 1997 'C'	92 3	-1	10.11	0.00	
11 3/4 Treasury 2003/07	113 20	0	9.93	0.00	
3% Treasury 1992	82 12	0	8.62	0.01	
2 1/2% Index-Linked 2016	97 10	6	3.94	0.04	
2% Index-Linked 1994	93 24	8	3.58	0.09	

GILT FUTURES

		Open	Close	Volume
		Long Contract	December	93.10
Medium Contract	0	92.20	92.22	650

NAME: Peter Smith
TEL NO: 270 4613

MP

HG EVENING REPORT

Monday 19 September 1988

FOREIGN EXCHANGE MARKETS

Previous close		Today		since Plaza	since Paris	since 16 October 1987
		opening 8.30am	close 4.00pm			
75.4	£ERI	75.3	75.3	-8.2	9.0	2.3
1.6762	\$/£	1.6775	1.6767	22.0	9.7	0.7
3.1446	DM/£	3.1352	3.1371	-19.6	12.4	4.7
1.5155	ECU/£	1.5127	1.513			
99.6	\$ERI	-	99.4	-28.8	-4.4	-0.8
1.8760	DM/\$	1.8690	1.871	51.8	-2.4	-3.8
134.20	Yen/\$	133.77	133.72	78.4	14.8	6.8

Oct \$13.65 Nov \$13.80 Dec \$13.95 Spot Brent Oct \$13.15 Nov \$13.35 Dec \$13.50

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position
	42	-212	3416	Market intervention	-203
	-2	-192	-1001	Off-market transactions	-211
	40	-404	2415	TOTAL	-414
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-428

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium -	Germany -	Italy -
Denmark -	Holland -	Japan -
France -	Ireland -	US -

MARKET COMMENT

A very quiet day on the forex markets.

The dollar drifted lower in New York on Friday night on pre weekend book squaring. It lost ground in the Far East this morning ahead of the G7 meeting later this week. Today in London the dollar traded in a narrow range closing just above its New York Friday night closes.

Sterling opened the day with markets a little nervous of tomorrow's UK money figures. Sterling quickly lost 1/2 pfennig but later regained its earlier losses.

Rates at 6.50PM: \$1.6782 DM3.1352 DM/\$1.8682 Y/\$133.57

Ian Polin

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.81	7.8112	-0.0012
Hang Seng Index	2458.82	2447.58	-11.24
3 month interbank rate	8 7/16%	8 13/32%	Down 1/32%

Terry Smeeton

NAME: I.C. Polin
TEL NO: 270-5556

MONEY MARKETS

Monday 19th September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	10 3/4	-1/4	8 1/16	0
1 mth	11 5/8	0	8 1/8	-1/8
3 mth	12 1/4	1/16	8 1/4	-1/16
12 mth	12 5/16	0	8 3/4	0

BILLS

	Today	Change
3 Month Treasury Bills	11 5/8	0

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			11 1/8-11
Band 2 (15-31 days)			11 3/8-5/16
Band 3 (32-63 days)			11 23/32-11/16
Band 4 (64-91 days)			11 3/4-23/32
TOTAL BILLS	0		
Repurchase	195	Due 22 September at 10 1/8-1/4%	
Lending			
TOTAL OPERATIONS	195	against surplus £ 200 m	

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.17	-0.01	8.93	0.02	9.01	0.01

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1418.6	-2.7	1759.9	-6.8	86.60	-0.10

MARKET COMMENT

GILTS opened easier, down 1/8 throughout, the market drifted off during a very quiet day to close 1/4 down throughout.

INDEX-LINKED opened firmer, shorts up 1/8 and longs 1/2, but fell away with profit taking at the longer end; shorts closed up 1/4 and longs 1/8 better.

EQUITIES were quietly steady until a weak Wall Street, reacting to lower U.S. Bonds, forced prices lower.

Carl Davey

NAME: Carl Davey
TEL NO: 270 4613

GILT-EDGED MARKET

Monday 19th September 1988

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September
Gross sales shorts	4.9	45.3
Gross sales mediums		293.8
Gross sales longs and undated	18.7	418.8
Gross sales index-linked	14.1	241.8
Part paid calls	369.2	369.6
Buying in non-next maturities shorts		-26.0
Buying in non-next maturities mediums	-11.8	-331.8
Buying in non-next maturities longs	-25.8	-583.3
Buying in non-next maturities index-linked	-12.3	-285.4
CRND: Market transactions	-10.4	-37.6
TOTAL 'GROSS' SALES	346.6	105.2
Buying in of next maturities	-0.1	-28.9
Redemptions		-6.4
TOTAL TRANSACTIONS WITH MARKET	346.5	69.9

Future calls	
Sales required to meet * target of £ _____ m	

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close		Change from yesterday's close	
	Par	yield (per cent)	Price (£/32)	Yield (%)
Shorts	10.478		-2	0.02
Mediums	10.162		-8	0.04
Longs	9.679		-9	0.03

REPRESENTATIVE STOCKS

	Price (£/32)		Yield (per cent)	
	Today	Change	Today	Change
8% Treasury 1992	92 12	-10	10.63	0.11
8 3/4 Treasury 1997 'C'	91 26	-9	10.16	0.05
11 3/4 Treasury 2003/07	113 11	-9	9.97	0.04
3% Treasury 1992	82 10	-2	8.65	0.03
2 1/2% Index-Linked 2016	97 14	4	3.93	-0.01
2% Index-Linked 1994	94	8	3.54	-0.04

GILT FUTURES

		Open	Close	Volume
Long Contract	December	93.15	93.10	9537
Medium Contract	0	92.18	92.14	30

NAME: Carl Davey
TEL NO: 270 4613

Chancellor 12/2

LAWSON COMFORTABLE WITH STERLING EXCHANGE RATE NRAS
LONDON, SEPT 20, REUTER - CHANCELLOR NIGEL LAWSON SAID HE
WAS COMFORTABLE WITH THE CURRENT EXCHANGE RATE OF STERLING.
DURING A PRESS BRIEFING, HE REPLIED TO A QUESTION ABOUT
GROUP OF SEVEN (G7) COUNTRIES' EXCHANGE RATES BY SAYING, "I
THINK MOST OF US ARE COMFORTABLE WITH THE RATES THAT THERE ARE
AT THE PRESENT TIME."

ASKED LATER AT THE PRESS BRIEFING IF THAT APPLIED TO
STERLING, HE SAID, "YES."

20-SEP-1204. MON066 MONJ

F

CONTINUED ON NRAT

MONITOR SEE AAAA 1528

LAWSON COMFORTABLE WITH STERLING EXCHANGE RATE -PART 2 NRAT
THE POUND WAS TRADING AT 3.1410/45 MARKS AT MIDDAY IN
LONDON, UP FROM 3.1345/80 AT THE OPENING AND 3.1365/1400 AT
YESTERDAY'S CLOSE.

THE DOLLAR WAS TRADING QUIETLY TODAY AROUND 1.86 MARKS AND
134 YEN.

"THE DOLLAR/DEUTSCHEMARK RATE IS BANG IN THE LOUVRE RANGE
NOW," LAWSON SAID. "WE ARE BACK IN THE LOUVRE RANGE AND HAVE
BEEN FOR SOME TIME."

"AS FAR AS THE DOLLAR/YEN RANGE IS CONCERNED, THE YEN IS NOW
HIGHER BUT I THINK THAT IS WHOLLY APPROPRIATE WITH THE JAPANESE
ECONOMY'S PERFORMANCE," HE SAID.

20-SEP-1217. MON081 MONJ

CONTINUED FROM - NRAS

F

CONTINUED ON - NRBO

MONITOR SEE AAAA 1528

LAWSON COMFORTABLE WITH STERLING EXCHANGE RATE -PART 3 NRBO

HE SAID HE WAS NOT WORRIED ABOUT THE YEN'S STRENGTH. "I
THINK, TOO, THE GERMANS FOR THEIR PART AT THE TIME OF THE LOUVRE
WOULD HAVE LIKED TO HAVE SEEN THE YEN A LITTLE BIT HIGHER
(AGAINST THE MARK) SO I THINK THERE IS GENERAL SATISFACTION."

SPEAKING TO JOURNALISTS BEFORE LEAVING THIS WEEK FOR THE
SERIES OF INTERNATIONAL MONETARY MEETINGS IN WEST BERLIN, LAWSON
SAID INTERNATIONAL ECONOMIC COOPERATION WAS WORKING VERY WELL.

THE RECENT WAVE OF INTEREST RATE INCREASES HAD BEEN WHOLLY
APPROPRIATE IN BOTH NATIONAL AND INTERNATIONAL TERMS, HE SAID.

20-SEP-1242. MON114 MONK

CONTINUED FROM - NRAT

F

CONTINUED ON - NRBR

MONITOR SEE AAAA 1528

LAWSON COMFORTABLE WITH STERLING EXCHANGE RATE -PART 4 NRBR

"IT HAS NOT IN ANY WAY CAUSED PROBLEMS WITH INTERNATIONAL
COOPERATION," HE SAID.

ASKED ABOUT WEST GERMANY, LAWSON NOTED ITS ECONOMY HAD BEEN
PERFORMING BETTER THAN EXPECTED, LARGELY BECAUSE OF THE GROWTH
IN THE WORLD ECONOMY.

"BUT I STILL THINK THEY HAVE DONE LESS THAN THEY SHOULD HAVE
ON THE SUPPLY SIDE," HE ADDED.

HE SAID BRITISH MON NARROW MONEY SUPPLY MEASURE, WHICH ROSE
1.0 PCT IN AUGUST AND IS CURRENTLY RUNNING AT AN ANNUAL 7.8 PCT
INCREASE COMPARED WITH THE ONE TO FIVE PCT TARGET RANGE, DID NOT
REFLECT THE RECENT INTEREST RATE TIGHTENING.

20-SEP-1251. MON122 MONK

CONTINUED FROM - NRBO

LAWSON COMFORTABLE WITH STERLING EXCHANGE RATE -PART 2 NRDC
BUT HE SAID THE BROAD MONEY AGGREGATES HAD BEEN CONSIDERABLY
BETTER THAN MARKETS HAD BEEN EXPECTING.

"I REALLY DON'T THINK IT IS SENSIBLE TO PLACE ANY
SIGNIFICANCE ON A SINGLE MONTH'S FIGURES; WE NEED TO SEE A RUN
OF FIGURES," HE ADDED.

LAWSON SAID THE EFFECTS OF BRITAIN'S TIGHTER MONETARY POLICY
WILL BE SEEN IN STAGES, WITH THE HOUSING MARKET PROBABLY THE
FIRST TO REACT AND THE CURRENT ACCOUNT PROBABLY THE LAST.

HE SAID BRITAIN'S RISING INFLATION RATE WAS LARGELY DUE TO
THE SPEED OF THE COUNTRY'S GROWTH BUT HAD BEEN AGGRAVATED BY
RISING PAY AWARDS.

20-SEP-1319. MON157 MONL

CONTINUED FROM - NRBR

P

CONTINUED ON - NRDD

MONITOR SEE AAAA 1528

LAWSON COMFORTABLE WITH STERLING EXCHANGE RATE -PART 3 NRDD

"THE WAGE CULTURE HAS NOT CHANGED ADEQUATELY AND THAT ADDS
TO THE DIFFICULTIES," HE SAID.

LAWSON DOUBTED THE IMF/G7 MEETINGS WOULD BE EVENTFUL, WITH
THE U.S. OCCUPIED BY A PRESIDENTIAL ELECTION.

DISCUSSIONS ON AN IMF QUOTA INCREASE WOULD LIKELY BE
DEFERRED TO THE SPRING MEETING WHEN THE NEW U.S. ADMINISTRATION
IS IN PLACE AND THE PROPOSAL FOR A GENERAL CAPITAL INCREASE FOR
THE WORLD BANK HAS PASSED THROUGH CONGRESS, HE SAID.

HE ALSO EXPECTED A REAFFIRMATION OF G7 COOPERATION AND
PROGRESS ON BRITAIN'S PLAN TO BRING DEBT RELIEF TO THE WORLD'S
POOREST AFRICAN NATIONS.

20-SEP-1319. MON159 MONL

CONTINUED FROM - NRDC

P

ENDS

MONITOR SEE AAAA 1528

MP

MG EVENING REPORT

Tuesday 20 September 1988

FOREIGN EXCHANGE MARKETS

Previous close		Today opening 8.30am	Today close 4.00pm	since Plaza	since Paris	since 16 October 1987
75.3	£ERI	75.3	75.6	-7.8	9.4	2.7
1.6767	\$/£	1.6787	1.6865	22.7	10.4	1.3
3.1371	DM/£	3.1361	3.1379	-19.6	12.4	4.7
1.5130	ECU/£	1.5130	1.5162			
99.4	\$ERI	-	99.3	-28.9	-4.5	-0.9
1.8710	DM/\$	1.8682	1.8665	52.2	-2.1	-3.5
133.72	Yen/\$	134.1	134.1	77.9	14.5	6.5

Oct \$13.15 Nov \$13.35 Dec \$13.50 Spot Brent Oct \$13.35 Nov \$13.55 Dec \$13.70

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position
	77	-135	3493	Market intervention	-126
	-89	-281	-1090	Off-market transactions	-206
	-12	-416	2403	TOTAL	-332
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-346

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium -	Germany -	Italy +30 Ffr, +155DM
Denmark -	Holland -	Japan -
France -	Ireland -	US -

MARKET COMMENT

The dollar drifted lower in light trading in advance of the G7 meeting this weekend. Japanese concerns about their Emperor's health affected the yen which eased against the dollar. Sterling was very quiet in morning trading until the publication of the money figures. Attention focussed on the better than expected M4 figure, while the worse than predicted M0 and M3 figures were ignored. This gave a lift to the pound which reached a high of 1.6872 and closed around that level as the dollar drifted away.

Rates at 5:17pm. \$1.6837 DM3.1401 DM/\$1.8650 Yen/\$133.90.

Bob

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8112	7.8113	-0.0001
Hang Seng Index	2447.58	2423.23	-24.35
3 month interbank rate	8 13/32%	8 3/8%	down 1/32%

NAME: I.C.Polin
TEL NO: 270-5556

M3 was higher than predicted

MONEY MARKETS

Tuesday 20th September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	10 7/8	1/8	8 1/16	0
1 mth	11 11/16	1/16	8 1/8	0
3 mth	12	-1/4	8 1/4	0
12 mth	12 1/8	-3/16	8 3/4	0

BILLS

	Today	Change
3 Month Treasury Bills	11 5/8	0

BANK MONEY MARKET OPERATIONS

	Sales £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	90	Due 22/9/88 at 10 1/4	11 1/4-11
Band 2 (15-31 days)			11 1/2-7/16
Band 3 (32-63 days)			11 11/16-21/32
Band 4 (64-91 days)			11 45/64-21/32
TOTAL BILLS	90		
Repurchase			
Lending			
TOTAL OPERATIONS	90	against surplus	£ 100 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.17	0.00	8.97	0.04	9.07	0.06

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1430.0	11.4	1772.1	12.2	87.03	0.43

MARKET COMMENT

GILTS opened just a shade better and by mid-morning were showing gains of 1/8 through the list. Some of the 11.30 figures, particularly M4 bank lending pleased the market and a strong rally began. Although most of the buying seems to have been by traders taking advantage of a short market, substantial gains were made with shorts up 3/4, mediums 7/8 and longs 1.

INDEXED LINKED saw shorter issues up 1/8, turn of the century stocks up 5/8 and longs 3/8.

EQUITIES remained steady until the money figures were announced at 11.30am. The increases in bank and building lending of 5.8bn was better than expected and prices gained a little ground. Further progress was made in the afternoon on sterling's improvement and Wall Street's early firmness, much of which had been lost by 5pm. Clyde Petroleum's £121m rights issue to finance the purchase of North Sea oil and gas assets did not disturb the market.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4613

GILT-EDGED MARKET

Tuesday 20th September 198

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September
Gross sales shorts		45.3
Gross sales mediums	34.3	328.1
Gross sales longs and undated	26.3	445.1
Gross sales index-linked	7.1	248.9
Part paid calls		369.6
Buying in non-next maturities shorts		-26.0
Buying in non-next maturities mediums	-29.1	-360.9
Buying in non-next maturities longs	-32.5	-615.8
Buying in non-next maturities index-linked	-17.7	-303.1
CRND: Market transactions	0.6	-37.0
TOTAL 'GROSS' SALES	-11.0	94.2
Buying in of next maturities	2.4	-26.5
Redemptions		-6.4
TOTAL TRANSACTIONS WITH MARKET	-8.6	61.3

	Future calls	
Sales required to meet	* target of £	m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close		Change from yesterday's close	
	Par	yield (per cent)	Price (£/32)	Yield (%)
Shorts	10.539		14	-0.11
Mediums	10.205		23	-0.12
Longs	9.713		31	-0.10

REPRESENTATIVE STOCKS

	Price (£/32)		Yield (per cent)	
	Today	Change	Today	Change
8% Treasury 1992	93	20	10.41	-0.22
8 3/4 Treasury 1997 'C'	92	19	10.02	-0.14
11 3/4 Treasury 2003/07	114	12	9.85	-0.12
3% Treasury 1992	82	16	8.59	-0.06
2 1/2% Index-Linked 2016	97	30	3.90	-0.03
2% Index-Linked 1994	94	2	3.53	-0.01

GILT FUTURES

		Open	Close	Volume
Long Contract	December	93.13	94.11	20310
Medium Contract	0	92.17	93.04	462

NAME: Peter Smith
TEL NO: 270 4613

20-SEP-0840. MON706 MONF
CONTINUED FROM - NRLG
P

Ch
Pretty far.

ENDS

AA FOREX - SEE INFO 0807

LAWSON COMFORTABLE WITH STERLING EXCHANGE RATE NRAS

LONDON, SEPT 20, REUTER - CHANCELLOR NIGEL LAWSON SAID HE WAS COMFORTABLE WITH THE CURRENT EXCHANGE RATE OF STERLING.

DURING A PRESS BRIEFING, HE REPLIED TO A QUESTION ABOUT A GROUP OF SEVEN (G7) COUNTRIES' EXCHANGE RATES BY SAYING, "I THINK MOST OF US ARE COMFORTABLE WITH THE RATES THAT THERE ARE AT THE PRESENT TIME."

ASKED LATER AT THE PRESS BRIEFING IF THAT APPLIED TO STERLING, HE SAID, "YES."

20-SEP-1204. MON066 MONJ

CONTINUED ON - NRAT

P

FOREX - SEE INFO 0007

LAWSON COMFORTABLE WITH STERLING EXCHANGE RATE -PART 2 NRAT

THE POUND WAS TRADING AT 3.1410/45 MARKS AT MIDDAY IN LONDON, UP FROM 3.1345/80 AT THE OPENING AND 3.1365/1400 AT YESTERDAY'S CLOSE.

THE DOLLAR WAS TRADING QUIETLY TODAY AROUND 1.86 MARKS AND 134 YEN.

"THE DOLLAR/DEUTSCHEMARK RATE IS BANG IN THE LOUVRE RANGE NOW," LAWSON SAID. "WE ARE BACK IN THE LOUVRE RANGE AND HAVE BEEN FOR SOME TIME."

"AS FAR AS THE DOLLAR/YEN RANGE IS CONCERNED, THE YEN IS NOW HIGHER BUT I THINK THAT IS WHOLLY APPROPRIATE WITH THE JAPANESE ECONOMY'S PERFORMANCE," HE SAID.

20-SEP-1217. MON081 MONJ

CONTINUED ON - NRBQ

CONTINUED FROM - NRAS

P

FOREX - SEE INFO 0807

LAWSON COMFORTABLE WITH STERLING EXCHANGE RATE -PART 3 NRBQ

HE SAID HE WAS NOT WORRIED ABOUT THE YEN'S STRENGTH. "I THINK, TOO, THE GERMANS FOR THEIR PART AT THE TIME OF THE LOUVRE WOULD HAVE LIKED TO HAVE SEEN THE YEN A LITTLE BIT HIGHER (AGAINST THE MARK) SO I THINK THERE IS GENERAL SATISFACTION."

SPEAKING TO JOURNALISTS BEFORE LEAVING THIS WEEK FOR THE SERIES OF INTERNATIONAL MONETARY MEETINGS IN WEST BERLIN, LAWSON SAID INTERNATIONAL ECONOMIC COOPERATION WAS WORKING VERY WELL.

THE RECENT WAVE OF INTEREST RATE INCREASES HAD BEEN WHOLLY APPROPRIATE IN BOTH NATIONAL AND INTERNATIONAL TERMS, HE SAID.

20-SEP-1242. MON114 MONK

CONTINUED ON - NRBR

CONTINUED FROM - NRAT

P

FOREX - SEE INFO 0807

LAWSON COMFORTABLE WITH STERLING EXCHANGE RATE -PART 4 NRBR

"IT HAS NOT IN ANY WAY CAUSED PROBLEMS WITH INTERNATIONAL COOPERATION," HE SAID.

ASKED ABOUT WEST GERMANY, LAWSON NOTED ITS ECONOMY HAD BEEN PERFORMING BETTER THAN EXPECTED, LARGELY BECAUSE OF THE GROWTH IN THE WORLD ECONOMY.

"BUT I STILL THINK THEY HAVE DONE LESS THAN THEY SHOULD HAVE ON THE SUPPLY SIDE," HE ADDED.

HE SAID BRITISH MONEY SUPPLY MEASURE, WHICH ROSE 1.0 PCT IN AUGUST AND IS CURRENTLY RUNNING AT AN ANNUAL 7.8 PCT INCREASE COMPARED WITH THE ONE TO FIVE PCT TARGET RANGE, DID NOT REFLECT THE RECENT INTEREST RATE TIGHTENING.

20-SEP-1251. MON122 MONK

CONTINUED FROM - NRBR

CONTINUED ON - NRDC

P

FOREX - SEE INFO 0807

LAWSON COMFORTABLE WITH STERLING EXCHANGE RATE -PART 5 NRDC

BUT HE SAID THE BROAD MONEY AGGREGATES HAD BEEN CONSIDERABLY BETTER THAN MARKETS HAD BEEN EXPECTING.

"I REALLY DON'T THINK IT IS SENSIBLE TO PLACE ANY SIGNIFICANCE ON A SINGLE MONTH'S FIGURES. WE NEED TO SEE A RUN OF FIGURES," HE ADDED.

LAWSON SAID THE EFFECTS OF BRITAIN'S TIGHTER MONETARY POLICY WILL BE SEEN IN STAGES, WITH THE HOUSING MARKET PROBABLY THE FIRST TO REACT AND THE CURRENT ACCOUNT PROBABLY THE LAST.

HE SAID BRITAIN'S RISING INFLATION RATE WAS LARGELY DUE TO THE SPEED OF THE COUNTRY'S GROWTH BUT HAD BEEN AGGRAVATED BY RISING PAY AWARDS.

20-SEP-1319. MON157 MONL

CONTINUED FROM - NRBR

CONTINUED ON - NRDC

P

FOREX - SEE INFO 0807

LAWSON COMFORTABLE WITH STERLING EXCHANGE RATE -PART 6 NRDC

"THE WAGE CULTURE HAS NOT CHANGED ADEQUATELY AND THAT ADDS TO THE DIFFICULTIES," HE SAID.

LAWSON DOUBTED THE IMF/67 MEETINGS WOULD BE EVENTFUL, WITH THE U.S. OCCUPIED BY A PRESIDENTIAL ELECTION.

DISCUSSIONS ON AN IMF QUOTA INCREASE WOULD LIKELY BE DEFERRED TO THE SPRING MEETING WHEN THE NEW U.S. ADMINISTRATION IS IN PLACE AND THE PROPOSAL FOR A GENERAL CAPITAL INCREASE FOR THE WORLD BANK HAS PASSED THROUGH CONGRESS, HE SAID.

HE ALSO EXPECTED A REAFFIRMATION OF 67 COOPERATION AND PROGRESS ON BRITAIN'S PLAN TO BRING DEBT RELIEF TO THE WORLD'S POOREST AFRICAN NATIONS.

20-SEP-1319. MON159 MONL

CONTINUED FROM - NRDC

ENDS

P

FOREX - SEE INFO 0807

SECRET

FROM: MISS M O'MARA
DATE: 21 September 1988

CHANCELLOR OF THE EXCHEQUER

cc: Economic Secretary
Sir P Middleton
Sir G Littler
Mr Peretz
Mr Gieve
Mr N P Williams OR

SEPTEMBER END MONTH RESERVES FIGURE

We need to decide shortly what figure to publish for the underlying reserves change in September. Wednesday 28 is the last dealing day this month.

2. As of today, the reserves would show a true underlying fall of around \$500 million in September. We have, however, to allow for the possibility of some further intervention in support of sterling on publication of the UK trade figures next Tuesday.

3. We see some advantage in publishing a modest underlying fall this month, not least because it will be taken as evidence of the authorities' willingness to support the exchange rate at the beginning of the month. We therefore suggest it would be sensible to plan on the basis that we publish an underlying fall of around \$250 million on 4 October but that we accept the possibility that the figure might be slightly larger, if we need to intervene in the aftermath of the trade figures.

4. Are you content?

*OK. Bal not much
high up to go down
\$250 m, unless there is
further intervention
to support the pound
you have to be
careful*

mom
MISS M O'MARA

MG EVENING REPORT

Wednesday 21 September 1988

FOREIGN EXCHANGE MARKETS

Previous close		Today opening 8.30am	Today close 4.00pm	since Plaza	since Paris	since 16 October 1987
75.6	£ERI	75.4	75.3	-0.2	9.0	2.3
1.6787	\$/£	1.6822	1.6755	21.9	9.6	0.7
3.1479	DM/£	3.1410	3.1394	-19.6	12.5	4.8
1.5162	ECU/£	1.5148	1.1549			
99.3	\$ERI	-	99.5	-28.7	-4.3	-0.7
1.8665	DM/\$	1.8672	1.8737	51.6	-2.5	-3.9
134.10	Yen/\$	134.10	134.17	77.8	14.4	6.5

Oct \$13.35 Nov \$13.55 Dec \$13.70 Spot Brent Oct \$13.35 Nov \$13.55 Dec \$13.70

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position
	-1	-136	3492	Market intervention	-127
	3	-278	-1087	Off-market transactions	-206
	2	-414	2405	TOTAL	-333
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-347

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium	-	Germany	-3\$	Italy	+269DM
Denmark	-	Holland	-	Japan	-
France	-	Ireland	-	US	-

MARKET COMMENT The dollar firmed during the day as a set of indicators out this afternoon suggested that the US economy was slowing down. The continuing fall in the gold price also eased inflationary fears. The dollar traded at the top end of recent days' ranges and the market is now focussing on the outcome of the weekend's G7 meeting. Sterling saw some selling on profit taking following yesterday's "good" money supply figures. However fears about the trade balance have re-surfaced and some nervousness has crept into the market ahead of next week's figures.

Rates at 5:07pm. \$1.6757 DM3.1419 DM/\$1.8750 Yen/\$134.26.

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8113	7.8115	-0.0002
Hang Seng Index	2423.23	2432	8.77
3 month interbank rate	8 3/8%	8 5/16%	down 1/16%

NAME: I.C.Polin
TEL NO: 270-5556

S E C R E T

MONEY MARKETS

Wednesday 21st September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	11 1/8	+1/4	8 1/16	0
1 mth	11 11/16	0	8 3/16	+1/16
3 mth	12 1/16	+1/16	8 1/4	0
12 mth	12 3/16	+1/16	8 3/4	0

BILLS

	Today		Change
3 Month Treasury Bills	11 5/8	-	11 1/2
			0

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			11 3/8-1/8
Band 2 (15-31 days)			11 9/16-7/16
Band 3 (32-63 days)			11 23/32-11/16
Band 4 (64-91 days)			11 45/64-11/16
TOTAL BILLS	0		
Repurchase	75	Due 23 September at 10 1/4%	
Lending			
TOTAL OPERATIONS	75	against surplus £ 100 m	

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.16	-0.01	8.94	-0.03	9.04	-0.03

STOCK MARKET

	FT Ind-Ord		FTSE	Gilt index
Today/Change	1443.8	13.8	1796.8	24.7
				87.04
				0.01

MARKET COMMENT

GILTS failed to maintain yesterday's advance reacting to this morning's press; shorts opened 1/8 down, mediums and longs 3/16. Prices moved up after lunch but fell away later on to close 1/8 down throughout.

INDEX-LINKED lost 1/8.

EQUITIES opened firmly on news of the bid by Minorco for Consolidated Goldfields. CGL rose by 3.22 to 14.00, despite the company's refusal and possible referral to MMC. Gold dipped below \$400 per ounce.

Carl Davey

NAME: Carl Davey
TEL NO: 270 4613

GILT-EDGED MARKET

Wednesday 21st September 1

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September
Gross sales shorts	4.8	50.1
Gross sales mediums	21.3	349.4
Gross sales longs and undated	47.4	492.5
Gross sales index-linked	2.8	251.7
Part paid calls	0.1	369.7
Buying in non-next maturities shorts		-26.0
Buying in non-next maturities mediums	-25.0	-385.9
Buying in non-next maturities longs	-52.4	-668.2
Buying in non-next maturities index-linked	-4.1	-307.2
CRND: Market transactions	0.2	-36.8
TOTAL 'GROSS' SALES	-4.9	89.3
Buying in of next maturities	-0.2	-26.7
Redemptions		-6.4
TOTAL TRANSACTIONS WITH MARKET	-5.1	56.2
		Future calls
Sales required to meet * target of £ _____ m		

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close		Change from yesterday's close	
	Par	yield (per cent)	Price (£/32)	Yield (%)
Shorts	10.341		-4	0.03
Mediums	10.074		-2	0.01
Longs	9.589		-4	0.01

REPRESENTATIVE STOCKS

	Price (£/32)		Yield (per cent)	
	Today	Change	Today	Change
8% Treasury 1992	92 28	-4	10.45	0.04
8 3/4 Treasury 1997 'C'	92 16	-3	10.03	0.01
11 3/4% Treasury 2003/07	114 8	-4	9.86	0.01
3% Treasury 1992	82 16	0	8.59	0.00
2 1/2% Index-Linked 2016	97 28	-2	3.91	0.01
2% Index-Linked 1994	94	-2	3.54	0.01

GILT FUTURES

		Open	Close	Volume
Long Contract	December	94.04	94.06	20947
Medium Contract	December	92.28	92.29	407

NAME: Carl Davey
TEL NO: 270 4613

MG EVENING REPORT

Thursday 22 September 1988

%change
\$/currency

FOREIGN EXCHANGE MARKETS

Previous close		Today opening 8.30am	Today close 4.00pm	since Plaza	since Paris	since 16 October 1987
75.3	£ERI	75.2	75.1	-8.4	8.7	2.0
1.6755	\$/£	1.6725	1.6695	21.5	9.2	0.3
3.1394	DM/£	3.1393	3.1345	-19.7	12.3	4.6
1.1549	ECU/£	1.5135	1.5131			
99.5	\$ERI	-	99.7	-28.6	-4.1	-0.5
1.8737	DM/\$	1.8770	1.8775	51.3	-2.7	-4.1
134.17	Yen/\$	134.50	134.55	77.3	14.1	6.2

Oct \$13.35 Nov \$13.55 Dec \$13.70 Spot Brent Oct \$13.40 Nov \$13.55 Dec \$13.70

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position *
	-9	-145	3483	Market intervention	-136
	-74	-352	-1161	Off-market transactions	-205
	-83	-497	2322	TOTAL	-341
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-355

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium -	Germany -31\$	Italy -
Denmark -	Holland -	Japan -
France -	Ireland -	US -50\$ agnst DM

MARKET COMMENT

The dollar traded in narrow ranges on fears of possible Central Bank intervention and in advance of the weekend's G7 meeting.

Sterling eased as market looked nervously towards next week's trade figures.

Rates at 5:50pm. \$1.6680 DM3.1330 DM/\$1.8783 Yen/\$134.67.

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8115	7.8115	0
Hang Seng Index	2432	2455.84	23.84
3 month interbank rate	8 5/16%	8 1/4%	down 1/16%

NAME: I.C.Polin
TEL NO: 270-5556

MONEY MARKETS

Thursday 22nd September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	11 1/8	0	8 3/16	1/8
1 mth	11 11/16	0	8 1/8	-1/16
3 mth	12 3/32	1/32	8 1/4	0
12 mth	12 5/32	-1/32	8 11/16	-1/16

BILLS

	Today		Change	
3 Month Treasury Bills	11 9/16	-	11 7/16	-1/16

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			11 1/4-11
Band 2 (15-31 days)			11 9/16-1/2
Band 3 (32-63 days)			11 23/32-11/16
Band 4 (64-91 days)	59	11 11/16	11 23/32-11/16
TOTAL BILLS	59		
Repurchase			
Lending	50		
TOTAL OPERATIONS	109	against shortage	£ 100 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.15	-0.01	8.92	-0.02	9.02	-0.02

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1440.7	-3.1	1788.7	-8.1	87.06	0.02

MARKET COMMENT

GILTS had a quiet day. The opening was slightly easier on exchange rates; shorts were off 1/8, mediums 1/8 and longs 3/16. Prices recovered during the day, with some switching to longer issues reported. Shorts closed unchanged mediums down 1/16 and longs unchanged.

INDEX-LINKED lost 1/8.

EQUITIES were easier and drifted lower with Sterling. CGL slipped back 55p on the triple hurdles facing Minorco- price, the South African connection and the possible referral to MMC. BP is to sell 20% of one of its fields in the North Sea; the company has delayed the sale of part of its Gold subsidiary on account of the weak Bullion prices.

Carl Davey

NAME: Carl Davey
TEL NO: 270 4613



mp
FROM: MISS M P WALLACE

DATE: 22 September 1988

MISS O'MARA

cc Economic Secretary
Sir P Middleton
Sir G Littler
Mr Peretz
Mr Gieve
Mr N P Williams

SEPTEMBER END MONTH RESERVES FIGURES

The Chancellor was grateful for your minute of 21 September.

2. He is content with what you propose, but he would much prefer not to go beyond \$250 million, unless there is any heavy intervention next week.

Mpw

MOIRA WALLACE

Py
NREM

IMF CHIEF NOT UNDULY CONCERNED BY DOLLAR RISE
WEST BERLIN, SEPT 22, REUTER - MICHEL CAMDESSUS, MANAGING
DIRECTOR OF THE INTERNATIONAL MONETARY FUND (IMF), SAID A
RECENT UPWARD TREND IN THE DOLLAR MIGHT MAKE A REDUCTION OF THE
U.S. BALANCE OF PAYMENTS DEFICIT MORE DIFFICULT.

HOWEVER, AT A NEWS CONFERENCE AT THE START OF THIS YEAR'S
ANNUAL MEETING OF THE IMF AND WORLD BANK IN WEST BERLIN, HE
ADDED: "(THIS SITUATION) DOES NOT AS SUCH JUSTIFY TOO MANY
WORRIES." HE ADDED "CENTRAL BANKS ARE NOT TOO UNHAPPY WITH THE
SITUATION AND I SHARE THEIR JUDGEMENT."

ACCORDS BY MAJOR NATIONS HAD NOT CREATED FULL FOREIGN
EXCHANGE STABILITY BUT HAD REDUCED VOLATILITY, HE SAID.

22-SEP-1055. MON575 MONM

CONTINUED ON - NREM

REUTER MONITOR 1252

IMF CHIEF NOT UNDULY CONCERNED BY DOLLAR RISE -PART 2 NREM

CAMDESSUS SAID INTERNATIONAL TRADE IMBALANCES WERE NOT
BEING REDUCED AS RAPIDLY AS WOULD HAVE BEEN DESIRED, BUT NOTED
THIS PROCESS WAS PART OF A MEDIUM TERM STRATEGY.

ALL COUNTRIES HAD TO PLAY THEIR PART IN THE PROCESS. THE
UNITED STATES SHOULD MAKE USE OF AN OPPORTUNITY TO REDUCE ITS
BUDGET DEFICIT, HE SAID.

CAMDESSUS ALSO STRESSED THE INTERDEPENDENCE OF ALL MAJOR
INDUSTRIAL COUNTRIES AND THE NEED FOR THEM TO TAKE THE CONCERNS
OF OTHERS INTO CONSIDERATION. IN A REFERENCE TO THE SEVEN
LEADING INDUSTRIAL DEMOCRACIES, HE SAID: "NO ONE OF THE SEVEN
COUNTRIES CAN IGNORE THE OTHERS."

22-SEP-1109. MON595 MONM

CONTINUED FROM - NREM

CONTINUED ON - NREM

REUTER MONITOR 1252

IMF CHIEF NOT UNDULY CONCERNED BY DOLLAR RISE -PART 3 NREM

CAMDESSUS EXPRESSED SATISFACTION WITH CURRENT ECONOMIC
GROWTH IN THE INDUSTRIALISED WORLD, DESPITE SIGNS, MOST
RECENTLY FROM THE UNITED STATES, THAT RATES OF EXPANSION MAY BE
SLOWER THAN PREVIOUSLY EXPECTED.

HE PREDICTED FOUR PCT GROWTH IN THE INDUSTRIAL COUNTRIES
THIS YEAR AND A SLIGHT SLOWDOWN IN 1989. THE MOST RECENT
INDICATIONS OF SLOWDOWN WERE NOT SUFFICIENT TO MAKE THE IMF
ADJUST ITS FORECASTS.

CURRENT ECONOMIC EXPANSION HAD NOT BEEN ACCOMPANIED BY
INFLATIONARY EXPECTATIONS, HE ADDED.

22-SEP-1110. MON597 MONM

CONTINUED FROM - NREM

ENDS

NEWS SEE AAAA- 1315

CAMDESSUS MAKES PLEA FOR IMF FUNDS INCREASE NREY
WEST BERLIN, SEPT 22, REUTER -- INTERNATIONAL MONETARY FUND
(IMF) MANAGING DIRECTOR MICHEL CAMDESSUS BEGAN THIS YEAR'S
WORLD BANK ANNUAL MEETING WITH A STRONG APPEAL FOR AN
INCREASE IN THE RESOURCES OF HIS ORGANISATION.

AT A NEWS CONFERENCE ON THE FIRST OF EIGHT DAYS OF TALKS IN
WEST BERLIN, CAMDESSUS ALSO SAID THAT COMMERCIAL BANKS WOULD
HAVE TO CONSIDER BRINGING DEBT FORGIVENESS INTO THEIR MENU OF
OPTIONS FOR DEALING WITH THE GLOBAL DEBT PROBLEM.

NOTING THE IMF HAD TO DECIDE ON A RISE IN IMF MEMBERS'
QUOTAS, THE ALLOCATIONS OF FUNDS THEY MAKE TO THE FUND, BY NEXT
APRIL, HE SAID: "YES, WE NEED A SUBSTANTIAL QUOTA INCREASE."
22-SEP-1129. MON628 MONM

CONTINUED ON - NREZ

NEWS - SEE AAAA 1315

CAMDESSUS MAKES PLEA FOR IMF FUNDS INCREASE -PART 2 NREZ
ON THE QUESTION OF COMMERCIAL BANKS' FORGIVING DEBTS OF
MIDDLE-INCOME COUNTRIES, INCLUDING LATIN AMERICAN DEBTORS,
CAMDESSUS BELIEVED MORE BANKS WOULD CONSIDER THE CONCEPT.

"I THINK THIS HAS TO BE CONSIDERED, HAS TO FIND ITS PLACE
IN THE MENU." IT WAS UP TO COMMERCIAL BANKS TO CONSIDER HOW
THEY COULD BEST MAKE A CONTRIBUTION TO THE FINANCING PACKAGES
OF DEBTOR COUNTRIES.

DEBT FORGIVENESS BY GOVERNMENT CREDITORS OWED MONEY BY THE
WORLD'S VERY POOREST COUNTRIES WAS AN EASIER MATTER TO DECIDE,
HE SAID. IN THESE CASES, CAMDESSUS HAD "NO DOUBT THAT DEBT
FORGIVENESS IS IN ORDER".

22-SEP-1129. MON629 MONM

CONTINUED FROM - NREY

CONTINUED ON - NRFA

NEWS - SEE AAAA 1315

CAMDESSUS MAKES PLEA FOR IMF FUNDS INCREASE -PART 3 NRFA
CAMDESSUS NOTED THE IMF NEEDED A 50 PCT RISE IN ITS CURRENT
RESOURCES OF AROUND 115 BILLION DLRS JUST TO KEEP PACE WITH
GROWTH IN THE WORLD ECONOMY OVER THE LAST FIVE YEARS.

BUT HE ADDED THAT THE IMF HAD BORROWED MONEY IN THE 1980S
AND SAID THESE CREDITS HAD TO BE REDUCED, IF NOT ELIMINATED
ALTOGETHER. "IF WE ELIMINATE THE BORROWING ALTOGETHER, THEN WE
SHOULD DOUBLE THE QUOTAS," HE SAID.

THE UNITED STATES HAS VOICED OBJECTIONS TO A RISE IN THE
QUOTES. CAMDESSUS CONCEDED A DOUBLING OF THE FUND'S RESOURCES
WOULD BE "A BIG JUMP". "THEREFORE A POSSIBLE SOLUTION WOULD BE
IN THE MIDDLE," HE SAID.

22-SEP-1143. MON656 MONM

CONTINUED FROM - NREZ

ENDS

NEWS - SEE AAAA 1315

CAMDESSUS WEIGHS GREATER ROLE FOR SDR NRFN
WEST BERLIN, SEPT 22, REUTER - INTERNATIONAL MONETARY FUND
(IMF) MANAGING DIRECTOR MICHEL CAMDESSUS SAID CONSIDERATION HAD
TO BE GIVEN TO INCREASING THE ROLE OF THE FUND'S CURRENCY, THE
SPECIAL DRAWING RIGHT (SDR), IN THE WORLD ECONOMY.

HE TOLD A NEWS CONFERENCE AT THE START OF THE ANNUAL
IMF/WORLD BANK MEETING: "WE HAVE TO ASK HOW THE SDR COULD OR
NOT PLAY A CENTRAL ROLE -- AS THE ECU (EUROPEAN CURRENCY UNIT)
PLAYS IN THE EMS (EUROPEAN MONETARY SYSTEM)."

HE STRESSED THAT HE WAS NOT MAKING PROPOSALS BUT JUST
RAISING QUESTIONS AS SOMEONE WHOSE JOB IT WAS TO PROMOTE
FOREIGN EXCHANGE RATE STABILITY.

22-SEP-1158. MON694 MONN

CONTINUED ON - NRFN

NEWS - SEE AAAA 1315

CAMDESSUS WEIGHS GREATER ROLE FOR SDR -PART 2 NRFN
CAMDESSUS SAID IT WOULD BE NAIVE TO BELIEVE THAT THE
EXPERIENCE OF THE EMS COULD BE TRANSLATED TO THE GLOBAL
ECONOMY, BUT THE QUESTION HAD TO BE RAISED AS TO HOW THE WORLD
MONETARY SYSTEM COULD BE BETTER ANCHORED.

~~27/9~~

Alex o/r
will ch
wants to see,
d'you think?
m

FROM: SUSIE SYMES
DATE: 23 September 1988

SIR TERENCE BURNS

cc PPS
Sir Geoffrey Littler*
Mr Lankester
Mr H P Evans o.r*
Mr S Matthews*
Mr Hood
*with book

PETER KENEN ON MANAGING EXCHANGE RATES

I attach an advance copy of Professor Kenen's book 'Managing Exchange Rates' which will be published in London on 28 September, and in the United States in a few weeks.

Susie Symes

SUSIE SYMES

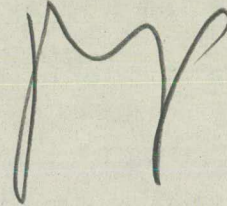
WEEKLY INTEREST/EXCHANGE RATE AND COMMODITY PRICE TABLES

CIRCULATION LIST

DATE: 23th SEPTEMBER 1988

CHANCELLOR'S OFFICE

MR. S. BROOKS 88/G
MR. J.W. GRICE 89/G
MISS R. MCROBBIE 107/G
MISS M. O'MARA 108/G
MRS C. RYDING 110/G
MR. P. MOUNTFIELD 80/1
MR. J. ODLING-SMEE 45/2
MR. N.J. MONCK 46/2
SIR P.E. MIDDLETON 78A/2
MR. H. WALSH 108/3
Ms. V.F. LIFE 109/3
MR. M.C. SCHOLAR 87/2
MR. S. PICKFORD 97/2
MR. P.S. CURWEN 98/2
MR. J. MCLAREN 33/3
SIR J.G. LITTLER 113/2
MR. R. MOLAN 81/1
MR. R.E. DEANE 41/3
MR. T.P. LANKESTER 116/2
SIR T. BURNS 119/2
MR. A.M. DOLPHIN 32/3
MR. M. LYON 34/3
MR. D. OWEN 36/3
Ms. C. TURK 35A/3
MR. P.N. SEDGWICK 39/3
MR. S.W. MATTHEWS 104/3
MR. D. SAVAGE 106/3
MR. H.P. EVANS 107/3
MR. W. HOOD 30A/3
MR. PERETZ 84/G
MR. P. ELWOOD 106/3
MR. D. RAMSDEN 106/3
MR. G. YOUNG 112/G



Please inform Bina Doshi (ext: 5374 - room : 31/3) if there are any changes to be made to this list.

THREE MONTH INTEREST RATES IN THE SIX MAJOR COUNTRIES

		-----WORLD RATES-----						-WORLD BASKETS-				-UNCOVERED DIFFERENTIALS-		
								USING						
								(A)	(B)	UK RATE	UK-			
								EURO	USA CD	EURODOL	INTER	WORLD	UK-	UK-
		CANADA	FRANCE	GERMANY	ITALY	JAPAN	USA	DOLLAR	RATE	RATE	BANK	BASKET	USA	GERMANY
		1	2	3	4	5	6	7	8	9	10	11	12	13
1987	QTR1	7.45	8.26	4.18	11.48	4.24	6.05	6.34	6.20	6.30	10.60	4.40	4.27	6.42
	QTR2	8.41	8.13	3.80	10.64	3.92	6.85	7.07	6.27	6.34	9.18	2.91	2.11	5.38
	QTR3	8.99	7.89	3.97	12.00	4.08	6.98	7.15	6.45	6.51	9.81	3.36	2.66	5.84
	QTR4	8.88	8.47	4.13	11.76	4.54	7.76	7.96	6.84	6.91	9.20	2.36	1.23	5.07
1988	QTR1	8.55	7.94	3.41	11.11	4.36	6.74	6.91	6.18	6.24	9.01	2.83	2.10	5.60
	QTR2	9.05	7.81	3.62	10.91	4.49	7.25	7.41	6.37	6.42	8.34	1.97	0.93	4.72
1987	SEP	9.32	7.88	4.03	12.56	4.15	7.43	7.56	6.69	6.73	10.12	3.44	2.56	6.09
	OCT	9.20	8.19	4.79	12.13	4.80	8.21	8.48	7.13	7.22	9.93	2.81	1.45	5.14
	NOV	8.63	8.61	3.95	11.58	4.34	7.39	7.55	6.67	6.73	8.97	2.30	1.42	5.02
	DEC	8.89	8.56	3.70	11.63	4.47	7.76	7.96	6.75	6.82	8.75	2.00	0.79	5.05
1988	JAN	8.65	8.31	3.44	10.91	4.35	6.96	7.17	6.31	6.38	8.92	2.61	1.75	5.47
	FEB	8.50	7.58	3.37	11.00	4.32	6.63	6.79	6.07	6.12	9.22	3.15	2.43	5.85
	MAR	8.53	8.03	3.42	11.44	4.40	6.65	6.79	6.20	6.25	8.83	2.64	2.04	5.41
	APR	8.83	8.13	3.43	10.88	4.19	6.92	7.11	6.25	6.32	8.32	2.06	1.21	4.89
	MAY	8.98	7.90	3.56	10.78	4.27	7.27	7.44	6.36	6.42	8.03	1.67	0.59	4.47
	JUN	9.34	7.39	3.89	11.13	4.42	7.56	7.67	6.49	6.53	8.74	2.24	1.07	4.85
	JUL	9.34	7.33	4.95	11.28	4.80	7.94	8.23	6.85	6.90	10.53	3.68	2.30	5.58
	AUG	9.80	7.63	5.35	11.28	4.88	8.38	8.50	7.25	7.28	11.25	4.00	2.75	5.90
1988	JUL 4	9.23	7.31	4.50	11.25	4.83	7.70	7.81	6.65	6.69	10.14	3.49	2.33	5.64
	JUL 11	9.35	7.25	4.95	11.12	4.72	7.90	8.06	6.82	6.87	10.22	3.40	2.16	5.27
	JUL 18	9.39	7.38	5.35	11.25	4.88	8.05	8.31	6.98	7.07	11.03	4.05	2.72	5.68
	JUL 25	9.40	7.38	5.00	11.38	4.78	8.12	8.75	6.94	6.98	10.72	3.78	1.97	5.72
	AUG 1	9.49	7.38	5.35	11.38	4.75	8.15	8.25	7.01	7.04	10.81	3.80	2.56	5.46
	AUG 8	9.66	7.38	5.25	11.25	4.83	8.20	8.37	7.00	7.01	10.91	3.91	2.54	5.66
	AUG 15	9.93	7.69	5.38	11.25	4.92	8.50	8.69	7.39	7.46	11.03	3.64	2.34	5.65
	AUG 22	9.90	7.75	5.40	11.25	4.95	8.55	8.62	7.43	7.45	11.41	3.98	2.79	6.01
	AUG 29	10.00	7.94	5.38	11.25	4.94	8.50	8.56	7.43	7.45	12.09	4.66	3.53	6.71
	SEPT 5	10.14	8.00	5.00	11.38	5.09	8.42	8.37	7.38	7.37	12.34	4.96	3.97	7.34
	SEPT 12	10.32	8.10	5.00	11.63	5.01	8.24	8.37	7.35	7.40	12.13	4.78	3.76	7.13
	SEPT 19	10.52	8.00	4.95	11.63	5.01	8.20	8.25	7.32	7.33	12.13	4.81	3.88	7.18

- Column 1. 90 DAY BANKERS ACCEPTANCES
- Column 2. 3 MONTH MONEY MARKET RATE
- Column 3. 3 MONTH INTER BANK
- Column 4. 3 MONTH INTER BANK
- Column 5. 3 MONTH CERTIFICATE OF DEPOSIT
- Column 6. 3 MONTH CERTIFICATE OF DEPOSIT IN NEW YORK
- Column 11. USA CD RATE(COLUMN 8) USED FOR WORLD BASKET
- Column 12. 3 MONTH EURODOLLAR RATE(COLUMN 7) USED FOR USA

QUARTERLY AND MONTHLY FIGURES ARE AVERAGES OF THE WEEKLY DATA
THE WEEKLY FIGURES REPRESENT THE CLOSING VALUES FOR THAT DATE

USA INTEREST RATES

		----- THREE MONTH RATES -----			10 YEAR	
		TREASURY		EURO	COMMERCIAL	
		BILLS	CD'S	DOLLAR	BOND	
		(RUST)	NEW YORK	(REU)	MOODY AAA	
		(V2626)		(V2627)	(REB)	
		FED FUNDS			(V2625)	
		(OVERNIGHT)				
1987	QTR1	6.16	5.66	6.05	6.34	8.37
	QTR2	6.60	5.87	6.85	7.07	9.16
	QTR3	6.82	6.08	6.98	7.15	9.72
	QTR4	6.98	5.92	7.76	7.96	10.22
1988	QTR1	6.67	5.86	6.74	6.91	9.57
	QTR2	7.09	6.40	7.25	7.41	9.81
1987	AUG	6.75	6.05	6.81	7.02	9.66
	SEP	7.12	6.47	7.43	7.56	10.14
	OCT	7.36	6.24	8.21	8.48	10.55
	NOV	6.81	5.74	7.39	7.55	10.05
	DEC	6.82	5.82	7.76	7.96	10.11
1988	JAN	6.82	5.92	6.96	7.17	9.97
	FEB	6.62	5.81	6.63	6.79	9.41
	MAR	6.56	5.87	6.65	6.79	9.39
	APR	6.75	6.04	6.92	7.11	9.65
	MAY	7.04	6.48	7.27	7.44	9.89
	JUN	7.50	6.65	7.56	7.67	9.87
	JUL	7.69	6.91	7.94	8.11	9.94
	AUG	8.05	7.26	8.38	8.50	10.09
1988	MAY 9	6.87	6.48	7.20	7.37	9.84
	MAY 16	7.00	6.43	7.20	7.37	9.83
	MAY 23	7.12	6.48	7.35	7.50	9.97
	MAY 30	7.25	6.62	7.50	7.69	10.04
	JUN 6	7.44	6.63	7.48	7.62	9.98
	JUN 13	7.44	6.62	7.50	7.56	9.89
	JUN 20	7.56	6.57	7.62	7.75	9.86
	JUN 27	7.56	6.79	7.65	7.75	9.80
	JUL 4	7.50	6.73	7.70	7.81	9.82
	JUL 11	7.56	6.91	7.90	8.06	9.88
	JUL 18	7.81	6.90	8.05	8.31	10.00
	JUL 25	7.87	7.10	8.12	8.25	10.04
	AUG 1	7.87	7.11	8.15	8.25	10.03
	AUG 8	7.75	7.10	8.20	8.37	10.02
	AUG 15	8.37	7.27	8.50	8.69	10.15
	AUG 22	8.06	7.27	8.55	8.62	10.15
	AUG 29	8.19	7.55	8.50	8.56	10.10
	SEPT 5	8.09	7.42	8.42	8.37	10.08
	SEPT 12	8.00	7.44	8.24	8.37	9.93
	SEPT 19	2.00	7.37	8.20	8.25	9.79

QUARTLERLY AND MONTHLY FIGURES ARE AVERAGES OF THE AVAILABLE WEEKLY DATA

DOLLAR EXCHANGE RATES WITH FIVE MAJOR OECD COUNTRIES

		EFFECTIVE					
		EXCHANGE	FRANCE	GERMANY	ITALY	JAPAN	CANADA
		RATE					
1987	QTR1	104.2	6.13	1.84	1306	153.2	1.34
	QTR2	101.1	6.03	1.81	1300	142.6	1.33
	QTR3	102.5	6.13	1.84	1331	150.0	1.32
	QTR4	97.0	5.75	1.71	1249	135.7	1.31
1988	QTR1	94.2	5.67	1.68	1236	128.1	1.27
	QTR2	93.5	5.78	1.71	1268	125.7	1.23
1987	AUG	103.3	6.20	1.86	1346	147.6	1.33
	SEP	100.9	6.05	1.81	1309	143.1	1.32
	OCT	100.5	6.02	1.80	1302	143.3	1.31
	NOV	96.5	5.71	1.68	1239	135.4	1.32
	DEC	93.9	5.54	1.64	1205	128.5	1.31
1988	JAN	93.9	5.59	1.66	1218	127.9	1.29
	FEB	95.0	5.73	1.70	1249	129.2	1.27
	MAR	93.6	5.69	1.68	1240	127.1	1.25
	APR	92.7	5.68	1.67	1241	124.9	1.24
	MAY	93.0	5.73	1.69	1259	124.8	1.24
	JUN	94.8	5.93	1.76	1304	127.4	1.22
	JUL	98.1	6.22	1.85	1366	133.1	1.21
	AUG	99.5	6.39	1.89	1394	133.64	1.22
1988	APR 4	92.7	5.66	1.67	1237	125.2	1.24
	APR 11	93.4	5.72	1.69	1251	126.5	1.24
	APR 18	92.1	5.63	1.66	1232	124.0	1.23
	APR 25	92.7	5.70	1.68	1246	124.8	1.23
	MAY 2	92.7	5.70	1.68	1248	124.7	1.23
	MAY 9	92.8	5.70	1.69	1249	124.7	1.24
	MAY 16	92.7	5.73	1.69	1254	124.9	1.24
	MAY 23	93.2	5.75	1.70	1263	124.5	1.24
	MAY 30	93.7	5.82	1.73	1283	125.1	1.23
	JUN 6	94.0	5.80	1.72	1277	126.1	1.23
	JUN 13	93.7	5.82	1.72	1282	125.1	1.22
	JUN 20	94.4	5.93	1.76	1305	126.2	1.21
	JUN 27	97.0	6.14	1.82	1349	130.8	1.21
	JUL 4	98.5	6.16	1.83	1358	135.5	1.22
	JUL 11	98.1	6.21	1.85	1367	133.0	1.21
	JUL 18	99.4	6.34	1.88	1392	134.6	1.21
	JUL 25	97.5	6.23	1.85	1362	132.0	1.21
	AUG 1	98.7	6.32	1.86	1383	132.7	1.21
	AUG 8	99.6	6.41	1.90	1403	133.8	1.21
	AUG 15	99.3	6.38	1.88	1395	133.3	1.23
	AUG 22	100.4	6.51	1.92	1403	134.0	1.23
	AUG 29	99.6	6.32	1.87	1386	134.4	1.24
	SEPT 5	99.9	6.28	1.84	1378	133.7	1.24
	SEPT 12	98.8	6.28	1.85	1379	133.4	1.24
	SEPT 19	99.5	6.37	1.87	1395	134.1	1.22

STERLING EXCHANGE RATES WITH FIVE MAJOR OECD COUNTRIES

		EFFECTIVE					
		EXCHANGE	FRANCE	GERMANY	ITALY	JAPAN	USA
		RATE					
1987	QTR1	69.7	9.45	2.84	2015	236.3	1.54
	QTR2	72.8	9.89	2.96	2132	234.2	1.64
	QTR3	72.7	9.92	2.97	2152	237.9	1.62
	QTR4	74.7	10.08	2.99	2188	237.8	1.76
1988	QTR1	75.1	10.18	3.01	2217	229.8	1.80
	QTR2	77.8	10.64	3.14	2335	231.7	1.84
1987	AUG	72.4	9.89	2.96	2150	235.5	1.60
	SEP	73.0	9.97	2.99	2157	236.3	1.65
	OCT	73.2	9.99	3.00	2162	238.4	1.66
	NOV	75.0	10.12	2.98	2199	240.1	1.78
	DEC	75.8	10.12	2.99	2201	234.2	1.83
1988	JAN	75.3	10.05	2.97	2189	230.2	1.81
	FEB	74.3	10.08	2.98	2196	227.1	1.75
	MAR	75.9	10.43	3.07	2273	232.8	1.84
	APR	77.8	10.65	3.13	2329	234.8	1.88
	MAY	78.5	10.74	3.17	2357	234.0	1.88
	JUN	76.8	10.52	3.11	2314	225.7	1.77
	JUL	75.8	10.55	3.13	2319	226.4	1.69
	AUG	76.3	10.84	3.20	2371	226.7	1.70
1988	APR 4	76.7	10.59	3.12	2313	233.9	1.88
	APR 11	78.1	10.60	3.12	2318	234.9	1.85
	APR 18	78.3	10.72	3.15	2347	236.2	1.90
	APR 25	78.3	10.68	3.14	2337	234.0	1.87
	MAY 2	78.7	10.70	3.15	2341	234.7	1.88
	MAY 9	78.4	10.72	3.16	2349	234.5	1.88
	MAY 16	77.9	10.82	3.19	2369	236.0	1.89
	MAY 23	79.0	10.75	3.18	2362	232.8	1.87
	MAY 30	78.3	10.73	3.19	2364	232.0	1.86
	JUN 6	78.2	10.46	3.09	2302	227.3	1.80
	JUN 13	76.2	10.58	3.13	2329	227.3	1.81
	JUN 20	76.8	10.58	3.14	2329	225.3	1.78
	JUN 27	76.2	10.45	3.10	2297	222.8	1.70
	JUL 4	76.2	10.37	3.08	2285	228.0	1.68
	JUL 11	75.0	10.49	3.12	2311	224.8	1.69
	JUL 18	75.1	10.59	3.14	2325	224.8	1.67
	JUL 25	76.8	10.75	3.19	2353	228.0	1.73
	AUG 1	76.4	10.84	3.21	2371	227.5	1.71
	AUG 8	76.5	10.88	3.23	2381	227.0	1.70
	AUG 15	76.5	10.93	3.22	2390	228.3	1.71
	AUG 22	76.2	10.91	3.22	2381	224.8	1.68
	AUG 29	75.8	10.66	3.14	2334	226.0	1.69
	SEPT 5	75.7	10.65	3.13	2332	229.3	1.69
	SEPT 12	75.7	10.65	3.13	2339	226.3	1.70
	SEPT 19	75.3	10.66	3.14	2340	224.3	1.68

ECONOMIST COMMODITY PRICE INDICES

1985=100

Annual	All items indices				SDR indices		
	SDR	Dollar	Sterling	Real*	Food	Nfa**	Metals

1980	104.4	133.7	74.0	115.6	96.7	106.2	118.6
1981	99.3	115.2	73.5	105.3	93.7	104.7	106.2
1982	91.8	99.9	73.4	94.3	89.3	96.0	93.8
1983	107.2	112.7	95.7	110.4	102.0	116.6	110.1
1984	110.3	111.5	107.2	113.1	112.3	111.6	106.2
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	89.8	103.7	90.6	86.4	92.4	89.9	85.4
1987	87.4	111.5	87.1	82.2	73.0	103.3	100.6
Quarterly							

1986 Q3	84.6	100.2	86.2	81.8	85.1	85.5	83.1
Q4	84.2	100.1	89.5	80.2	82.2	91.0	82.8
1987 Q1	81.0	100.8	83.5	76.5	73.2	95.2	84.3
Q2	84.9	108.2	84.4	80.0	73.2	102.6	92.1
Q3	90.2	113.4	90.0	83.8	70.7	111.9	108.0
Q4	93.4	123.7	90.3	88.4	74.7	103.3	117.9
1988 Q1	99.8	134.6	95.9	94.6	77.6	105.5	133.4
Q2	115.5	155.7	108.8	107.6	84.0	115.1	169.1
Monthly							

July	89.3	111.5	88.9		71.9	109.4	104.4
August	91.4	114.2	91.8		69.6	115.0	111.7
September	90.1	114.5	89.3		70.7	111.4	107.9
October	93.5	119.3	92.3		74.2	106.8	117.0
November	91.3	121.3	88.1		74.2	101.4	113.3
December	94.8	129.1	90.5		75.6	102.1	122.4
January	97.4	132.2	94.1		78.1	102.7	126.6
February	98.2	131.2	95.6		78.0	106.5	126.7
March	103.8	140.3	98.0		76.8	107.3	157.0
April	106.4	144.9	99.1		77.3	110.5	152.8
May	113.4	153.8	105.7		80.9	114.1	168.2
June	126.7	168.4	121.6		93.9	120.8	186.4
July	119.1	152.9	115.1		96.9	117.7	157.6
August	116.9	148.9	112.5		91.0	113.5	163.1
Weekly							

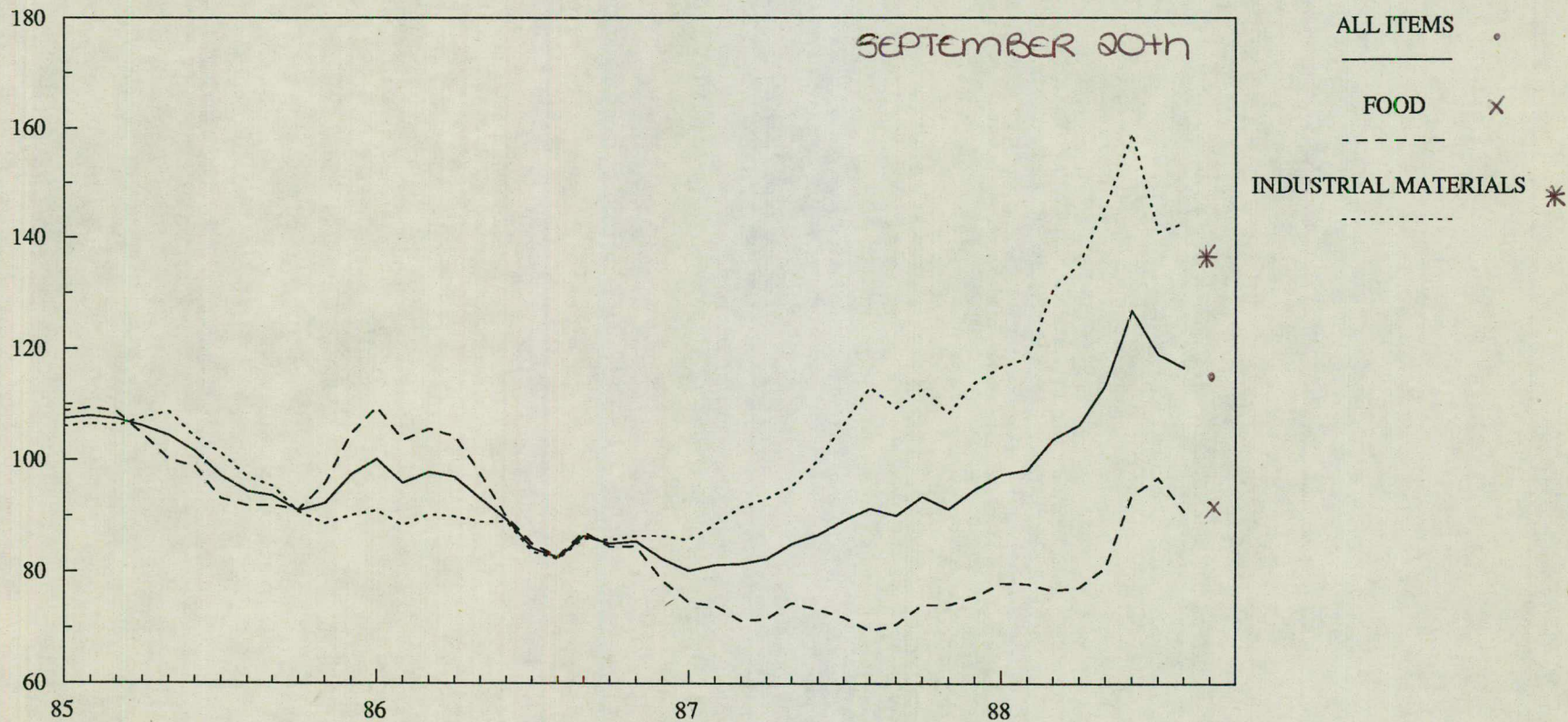
August 2	113.6	145.7	109.2		89.9	114.8	153.0
9	117.4	149.4	113.5		92.8	114.9	160.9
16	117.2	149.5	111.5		91.4	115.0	162.4
23	118.4	149.8	114.4		90.2	111.6	171.0
30	117.8	150.1	113.8		90.8	111.4	168.1
Sept 6	116.5	148.8	112.0		93.1	112.1	159.2
13	114.9	147.2	111.2		92.1	112.1	155.4
20(prov)	112.0	147.9	108.6		89.3	110.1	152.1
% ch. on one yr	+23.5	+24.0	+20.8		+25.8	+1.0	+36.8

* In relation to prices of manufactured exports. Recent figures are estimated.

** Non-food agriculturals.

ECONOMIST SDR COMMODITY PRICE INDICES

1985 = 100



FOREIGN EXCHANGE MARKETS

MG EVENING REPORT

Friday 23 September 1988

Previous close		Today		since Plaza	%change \$/currency	since Paris	since 16 October 1987
		opening 8.30am	close 4.00pm				
75.1	£ERI	75.1	75.2	-8.3		8.8	2.2
1.6695	\$/£	1.6660	1.6715	21.7		9.4	0.4
3.1345	DM/£	3.1299	3.1332	-19.7		12.2	4.5
1.5131	ECU/£	1.5109	1.5112				
99.7	\$ERI	-	99.7	-28.6		-4.1	-0.5
1.8775	DM/\$	1.8787	1.8745	51.5		-2.6	-3.9
134.55	Yen/\$	134.65	134.45	11.4		14.2	6.3

Oct \$13.40 Nov \$13.55 Dec \$13.70 Spot Brent Oct \$13.45 Nov \$13.60 Dec \$13.75

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position
	19	-126	3502	Market intervention	-117
	-5	-357	-1166	Off-market transactions	-204
	14	-483	2336	TOTAL	-321
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-335

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium	-	Germany	-30\$	Italy	-
Denmark	-	Holland	-	Japan	-
France	-100\$	Ireland	-	US	-100\$ agst DM(22 SEP)

MARKET COMMENT

The dollar rose in New York last night despite well seen Fed. intervention and a rumour that the President had had a heart attack (quickly denied). The dollar traded very steady in the Far East with Japan on holiday (Autumn Equinox). It began very firm today underpinned by this weekend meetings of G7. Much better than expected US durable goods order figures (+6.0%) helped to push the dollar above DM1.88 but only very briefly.

Sterling opened in London looking distinctly soft but better than expected UK building societies figures for August helped to encourage some buying out of the US this afternoon.

Rates at 5.15PM: \$1.6715 DM3.1341 DM/\$1.8750 Y/\$134.45

Ian Blair

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8115	7.8123	-0.0008
Hang Seng Index	2455.84	2454.38	-1.46
3 month interbank rate	8 1/4%	8 3/8%	up 1/8%

Terry Smeeton

NAME: I.C.Polin
TEL NO: 270-5556

SECRET

MONEY MARKETS

Friday 23rd September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	11	-1/8	8 3/16	0
1 mth	11 9/16	-1/8	8 1/4	1/8
3 mth	12 1/8	1/32	8 5/16	1/16
12 mth	12 3/16	1/32	8 13/16	1/8

BILLS

	Today	Change
3 Month Treasury Bills	11 5/8 -	11 1/2 1/16

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			11 1/4-11
Band 2 (15-31 days)			11 9/16-1/2
Band 3 (32-63 days)			11 23/32-11/16
Band 4 (64-91 days)	424	11 11/16	11 23/32-11/16
TOTAL BILLS	424		
Repurchase			
Lending	160	Average rate of discount 11.6039%	
TOTAL OPERATIONS	584	against shortage £ 550 m	

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.15	0.00	8.96	0.04	9.05	0.03

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1446.8	6.1	1792.4	3.7	87.25	0.19

MARKET COMMENT

GILTS had quite a good day, with more switching longer reported. Prices actually opened easier in the exchange rate, with losses of 1/8 through the list, but they soon recovered and continued better for the rest of the day, disregarding the setback in US bonds. Prices closed with shorts up 1/8, mediums 1/4 and longs 3/8.

INDEXED LINKED overcame some hesitation to close 1/4 up.

EQUITIES were dominated by special situations with little net movement ahead of next week's trade figures. CGL dived 65 pence and now stand below Minorco's offer price. Lonrho's good run continued on news of possible management buyout or asset sales as a springboard to hamper an unwelcome takeover bid.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4613

GILT-EDGED MARKET

Friday 23rd September 1988

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September
Gross sales shorts		50.1
Gross sales mediums	60.8	439.2
Gross sales longs and undated	35.5	604.1
Gross sales index-linked	18.1	272.0
Part paid calls	0.1	369.9
Buying in non-next maturities shorts		-26.0
Buying in non-next maturities mediums	-48.3	-462.0
Buying in non-next maturities longs	63.3	-847.8
Buying in non-next maturities index-linked	-13.1	-322.1
CRND: Market transactions		-19.9
TOTAL 'GROSS' SALES	-10.2	57.5
Buying in of next maturities		4.5
Redemptions	-0.5	-7.0
TOTAL TRANSACTIONS WITH MARKET	-10.7	55.0

		Future calls	
Sales required to meet	*	target of	£ m
		=====	

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close		Change from yesterday's close	
	Par yield (per cent)		Price (£/32)	Yield (%)
Shorts	10.370		2	-0.02
Mediums	10.103		3	-0.02
Longs	9.602		11	-0.04

REPRESENTATIVE STOCKS

	Price (£/32)		Yield (per cent)	
	Today	Change	Today	Change
8% Treasury 1992	93	2	10.39	-0.04
8 3/4 Treasury 1997 'C'	92	22	10.01	-0.05
11 3/4 Treasury 2003/07	114	21	9.81	-0.04
3% Treasury 1992	82	20	8.56	-0.03
2 1/2% Index-Linked 2016	98		3.90	-0.02
2% Index-Linked 1994	94	2	3.54	0.00

GILT FUTURES

		Open	Close	Volume
Long Contract	December	94.04	94.19	20113
Medium Contract	December	93.00	93.08	232

NAME: Peter Smith
TEL NO: 270 4613

COMMISSION
OF THE
EUROPEAN COMMUNITIES

The President

4501

CH/EXCHEQUER	
REC.	4 OCT 1988 ✓ 10
ACTION	MR PERETZ
COPIES TO	PS/EST, Sir P MIDDLETON Sir T BURNS Sir G LITTLE, MR SCHOLAR MR LANKESTER, MR GRICE MR GIEVE, MR WILLIAMS MR CROPPER

200 RUE DE LA LOI
1049 BRUSSELS

TEL: (02) 235 11 11

Brussels. 26 September 1988

Dear Nigel,

Thank you for sending me the details of your UK Ecu Treasury Bills programme, which is of great interest to me.

As you know, the Ecu, being nowhere a domestic currency, has suffered somewhat from the lack of short term debt instruments backed by a government of one of the Community countries around which an efficient money market could develop. Your programme will go a long way towards redressing this situation and is therefore particularly welcome.

If the UK programme is a success, and I have little doubt that it will prove so, it will give the Ecu the opportunity to develop into a fully-fledged intervention and reserve currency.

I share your pleasure at the evidence of the strong Community involvement in the institutions that have undertaken to provide active support at the initial series of tenders and to act as market-makers in the Bills.

I hope that your initial experience with the Ecu Treasury Bills will be satisfactory enough for you to continue them in the future, and for others to follow your example.

Sincerely yours

J. Delors
Jacques DELORS

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Monday 26 September 1988

Previous close		Today		since Plaza	%change \$/currency since Paris	since 16 October 1987
		opening 8.30am	close 4.00pm			
75.2	£ERI	75.0	75.2	-8.3	8.8	2.2
1.6715	\$/£	1.6635	1.666	21.3	9.0	0.1
3.1332	DM/£	3.1315	3.1387	-19.6	12.4	4.7
1.5112	ECU/£	1.5124	1.5146			
99.7	\$ERI	-	100	-28.4	-3.8	-0.2
1.8745	DM/\$	1.8825	1.884	50.8	-3.1	-4.4
134.45	Yen/\$	134.75	134.7	77.1	14.0	6.1

Oct \$13.45 Nov \$13.60 Dec \$13.75 Spot Brent Oct \$13.25 Nov \$13.42 Dec \$13.55

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position
	-11	-137	3491	Market intervention	-128
	39	-318	-1127	Off-market transactions	-204
	28	-455	2364	TOTAL	-332
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-346

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium	+35DM	Germany	-131\$	Italy	-23\$, +46DM, -6\$ agst DM
Denmark	-10\$ agst DM	Holland	-20\$	Japan	-
France	-30\$	Ireland	-15\$ agst DM	US	-100\$ agst DM

MARKET COMMENT After a very quiet trading session in New York on Friday night the dollar rose sharply in Australia this morning following the publication of the final G7 communique text, seen as support for the status quo but implying G7 did not object to the current market trend of a firmer dollar. The dollar saw some modest institutional selling in the Far East. But on opening in London this morning it again rose above DM1.885 but then fell back on remarks by Pohl. Pohl said German monetary policy aim was to counter any Mark depreciation and he said G7 central bankers agree need for stability. It later rose after remarks by Tietmeyer that there was no need to intervene in the currency markets at present. However as the dollar rose towards DM1.89 well seen concerted central bank intervention (figures above plus Swiss -30\$, Canada -25\$ agst DM, Austria -20\$ agst DM, Spain -10\$ agst DM and the Bank -25\$ agst £ and -25\$ agst DM) helped to ease the upward pressure.
 Rates at 6.05PM: \$1.6717 DM3.1445 DM/\$1.8810 Y/\$134.47

Tan Polini

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.0123	HOLIDAY	
Hang Seng Index	2454.38	"	
3 month interbank rate	8 3/8%	"	

Michael Foot

NAME: I.C.Polin
TEL NO: 270-5556

S E C R E T

MONEY MARKETS

Monday 26th September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	10 5/8	-3/8	8 1/4	1/16
1 mth	11 1/2	-1/16	8 1/4	0
3 mth	12	-1/8	8 5/16	0
12 mth	12 1/16	-1/8	8 3/4	-1/16

BILLS

	Today	Change
3 Month Treasury Bills	11 9/16	-3/16

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			11 1/8-10 7/8
Band 2 (15-31 days)			11 9/32-7/32
Band 3 (32-63 days)			11 5/8-19/32
Band 4 (64-91 days)			11 11/16-21/32
TOTAL BILLS	0		
Repurchase	121	Due 30 September at 10 7/16-5/8%	
Lending			
TOTAL OPERATIONS	121	against surplus £ 150 m	

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.18	0.03	8.96	0.00	9.06	0.01

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1446.5	-0.3	1792.7	0.3	87.43	0.18

MARKET COMMENT

GILTS opened unchanged, despite the soft pound and tended better through the morning, improving best in longs. Shorts remained subdued with deposit rates stubbornly firm and the pound still soft. This afternoon, however, as the pound improved, the rally continued and shorts improved, too, as money rates softened. The market closed with shorts 3/16-1/4 firmer, mediums 1/4-3/8 harder and longs 3/8 better.

INDEX-LINKED closed around 1/8 firmer.

EQUITIES most sectors have been becalmed ahead of tomorrow's trade figures with many investors sidelined. Gold took another tumble following last week's crude slide.

Carl Davey

NAME: Carl Davey
TEL NO: 270 4613

GILT-EDGED MARKET

Monday 26th September 1988

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September	
Gross sales shorts	3.4	53.5	
Gross sales mediums	25.6	464.8	
Gross sales longs and undated	35.7	639.8	
Gross sales index-linked	49.0	321.0	
Part paid calls		369.9	
Buying in non-next maturities shorts	-3.5	-29.5	
Buying in non-next maturities mediums	-24.7	-486.7	
Buying in non-next maturities longs	-55.3	-903.1	
Buying in non-next maturities index-linked	-21.6	-343.7	
CRND: Market transactions	-11.5	-31.4	
TOTAL 'GROSS' SALES	-2.9	54.6	
Buying in of next maturities		4.5	
Redemptions	-0.1	-7.1	
TOTAL TRANSACTIONS WITH MARKET	-3.0	52.0	
			Future calls
Sales required to meet * target of £			m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close		Change from yesterday's close	
	Par	yield (per cent)	Price (£/32)	Yield (%)
Shorts	10.344		5	-0.04
Mediums	10.060		6	-0.03
Longs	9.557		10	-0.03

REPRESENTATIVE STOCKS

	Price (£/32)		Yield (per cent)	
	Today	Change	Today	Change
8% Treasury 1992	93 6	4	10.35	-0.04
8 3/4 Treasury 1997 'C'	92 30	8	9.96	-0.05
11 3/4% Treasury 2003/07	114 30	9	9.78	-0.03
3% Treasury 1992	82 20	0	8.57	0.01
2 1/2% Index-Linked 2016	98 4	4	3.90	0.00
2% Index-Linked 1994	94	-2	3.56	0.02

GILT FUTURES

		Open	Close	Volume
Long Contract	December	94.21	94.29	18321
Medium Contract	December			

NAME: Carl Davey
TEL NO: 270 4613

mp

✓

A, B, C, Cii, All Po's
Peretz NRDT

LAWSON LIFTS LIMITS ON FOREIGN STG BOND ISSUES

WEST BERLIN, SEPT 26, REUTER - THE LIMIT ON INDIVIDUAL OVERSEAS ISSUES IN THE STERLING BOND MARKET HAS BEEN ABOLISHED, U.K. CHANCELLOR OF THE EXCHEQUER NIGEL LAWSON SAID.

IN LONDON A TREASURY SPOKESMAN NOTED THERE WAS ALREADY NO LIMIT FOR FOREIGN CORPORATE BORROWERS IN THE DOMESTIC STERLING MARKET, BUT A LIMIT HAD PREVIOUSLY BEEN IMPOSED FOR FOREIGN SOVEREIGN BORROWERS. ISSUES BY FOREIGN BORROWERS IN THE DOMESTIC STERLING MARKET ARE KNOWN AS BULLDOG BONDS.

LAWSON TOLD A FRINGE RECEPTION AT THE INTERNATIONAL MONETARY FUND (IMF) MEETING IN WEST BERLIN THAT THE LIMIT, RAISED TO 200 MLN STG LAST YEAR, WOULD HENCEFORTH BE ABOLISHED. AAMM 1454 FRENCH 13-WEEK T-BILL AVERAGE RATE FALLS TO 7.25 PCT FROM 7.32 PCT--TREASURY

P

REUTER MONITOR 1400

LAWSON LIFTS LIMITS ON FOREIGN STG BOND ISSUES -PART 2 NRFJ

THE BANK OF ENGLAND LATER SAID THE 200 MLN STG LIMIT WAS BEING ABOLISHED ON ALL FOREIGN SOVEREIGN OR QUASI-SOVEREIGN ISSUES, INCLUDING ANY IN THE EUROSTERLING BOND MARKET.

WITH THE U.K. GOVERNMENT RUNNING A LARGE BUDGET SURPLUS AND THEREFORE NOT ISSUING MANY NEW BONDS, THE MOVE WILL ALLOW OVERSEAS SOVEREIGN BORROWERS TO PROVIDE MORE LIQUIDITY TO THE STERLING BOND MARKET, BANKERS SAID.

THE LIMIT HAD BEEN INTENDED TO KEEP SUCH TOP-QUALITY BORROWERS FROM LURING FUNDS AWAY FROM U.K. CORPORATE BORROWERS, GOVERNMENT OFFICIALS SAID. "THE FEELING IS THAT NOW THE MARKET IS RESILIENT ENOUGH TO ACCOMMODATE ALL OF THIS," ONE NOTED.

26-SEP-1411. MON617 MONJ
CONTINUED FROM - NRDT

P

ENDS

REUTER MONITOR 1400

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Tuesday 27 September 1988

Previous close		Today		since Plaza	%change \$/currency since Paris	since 16 October 1987
		opening 8.30am	close 4.00pm			
75.2	£ERI	75.4	75.6	-7.8	9.4	2.7
1.6660	\$/£	1.6740	1.6777	22.1	9.8	0.8
3.1387	DM/£	3.1475	3.1544	-19.2	13.0	5.3
1.5146	ECU/£	1.5162	1.5221			
100	\$ERI	-	99.7	-28.6	-4.1	-0.5
1.8840	DM/\$	1.8802	1.8802	51.1	-2.9	-4.2
134.70	Yen/\$	134.55	134.47	77.4	14.2	6.2

Oct \$13.25 Nov \$13.42 Dec \$13.55 Spot Brent Oct \$12.70 Nov \$12.82 Dec \$12.92

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position
	108	-29	3599	Market intervention	-20
	6	-312	-1121	Off-market transactions	-206
	114	-341	2478	TOTAL	-226
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-240

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium -	Germany -	Italy -
Denmark -	Holland -	Japan -
France -	Ireland -	US -

MARKET COMMENT

The dollar around DM1.88 in New York last night after yesterday afternoon concerted central bank intervention. Trading was quiet in the Far East. Today the dollar was very steady with the main focus on sterling. Sterling closed in New York last night at DM3.1469 (nearly 1 pfennig up on its previous London close). In early London trading today sterling continued to firm as optimism grew that better than expected August trade figures were about to be published but a rumour that the Chancellor would release a statement after their publication caused some concern and sterling eased as a result. Following better than expected C/A deficit of £1.31 and a T/A deficit of £1.81 sterling rose reaching highs of \$1.682 and DM3.16 but towards the close some profit taking caused it to close off its highs. Rates at 5.40PM: \$1.6790 DM3.1510 DM/\$1.8767 Y/\$134.40

Ian Polin

HONG KONG	Previous (23.9.88)	Today	Change
Hong Kong dollar	7.8123	7.8118	0.0005
Hang Seng Index	2454.38	2466.27	11.89
3 month interbank rate	8 3/8%	8 7/16%	UP 1/16%

Chris Bailey

NAME: I.C. Polin
TEL NO: 270-5556

MONEY MARKETS

Tuesday 27th September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	11 1/4	5/8	8 5/16	1/16
1 mth	11 11/16	3/16	8 1/4	0
3 mth	11 15/16	-1/16	8 3/8	1/16
12 mth	11 13/16	-1/4	8 7/8	1/8

BILLS

	Today		Change	
3 Month Treasury Bills	11 1/2	-	11 1/4	-1/16

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			11 11/16-9/16
Band 2 (15-31 days)			11 5/8-9/16
Band 3 (32-63 days)			11 5/8-9/16
Band 4 (64-91 days)			11 5/8-11/16
TOTAL BILLS	0		
Repurchase			
Lending			
TOTAL OPERATIONS	0	flat position	£ m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.23	0.05	9.01	0.05	9.11	0.05

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1459.1	12.6	1808.0	15.3	87.76	0.33

MARKET COMMENT

GILTS opened a little softer this morning on nervousness about the Chancellor's reported intention to make a statement on the trade figures. Shorts were unchanged, mediums 1/16 softer and longs 1/8 softer. By mid-morning, conventionals were 1/8 easier throughout. The trade figures brought an immediate improvement, by around 5/8 in longs, before profits were taken. The afternoon market advanced further with sterling. Good demand was seen from the US and a little from Japan as well as keen interest from the building societies. With demand concentrated in shorts and shorter mediums, these sectors outperformed the rest. At best the market was almost a point better throughout the list before subsiding to close with gains of 3/4 in shorts, and 5/8 in mediums in mediums and longs.

INDEXED LINKED opened sluggishly and closed up to 1/8 firmer

EQUITIES started slowly and the market fell back further prior to the announcement of the trade figures. The current account deficit of 1.313 bn was much better than expected and the market raced ahead reversing a 13 point fall by 1pm as sterling strengthened.

NAME: Peter Smith
TEL NO: 270 4613

Peter Smith

GILT-EDGED MARKET

Tuesday 27th September 198

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September
Gross sales shorts	10.0	63.5
Gross sales mediums	54.6	519.4
Gross sales longs and undated	66.2	706.0
Gross sales index-linked	52.8	373.8
Part paid calls		369.9
Buying in non-next maturities shorts	-6.4	-35.9
Buying in non-next maturities mediums	-57.4	-544.1
Buying in non-next maturities longs	-92.9	-996.0
Buying in non-next maturities index-linked	-15.5	-359.2
CRND: Market transactions	-1.0	-32.4
TOTAL 'GROSS' SALES	10.4	65.0
Buying in of next maturities	-2.0	2.5
Redemptions	-0.1	-7.2
TOTAL TRANSACTIONS WITH MARKET	8.3	60.3

Sales required to meet	*	target of	£	m	Future calls
			=====		

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close		Change from yesterday's close	
	Par yield (per cent)		Price (£/32)	Yield (%)
Shorts	10.284		17	-0.14
Mediums	10.017		24	-0.12
Longs	9.503		19	-0.06

REPRESENTATIVE STOCKS

	Price (£/32)		Yield (per cent)	
	Today	Change	Today	Change
8% Treasury 1992	93 26	20	10.12	-0.23
8 3/4 Treasury 1997 'C'	93 16	18	9.86	-0.10
11 3/4 Treasury 2003/07	115 16	18	9.71	-0.07
3% Treasury 1992	82 28	8	8.48	-0.09
2 1/2% Index-Linked 2016	98 4	0	3.90	0.00
2% Index-Linked 1994	94 3	3	3.54	-0.02

GILT FUTURES

		Open	Close	Volume
Long Contract	December	94.25	95.14	37984
Medium Contract	December	93.09	93.30	100

NAME: Peter Smith
TEL NO: 270 4613

THE GOVERNOR'S
 PRIVATE SECRETARY HO-P
 THE DEPUTY GOVERNOR'S
 PRIVATE SECRETARY HO-P
 MR LOEHNIS HO-P
 MR GEORGE HO-P
 MR W A ALLEN HO-P
 MR ALTHAUS HO-G
 MR A F BUSHELL HO-4
 MR CHARKHAM HO-4
 MR T A CLARK HO-M
 MR COLEBY HO-P
 MR FOOT HO-2
 MR GILL HO-3
 MR GREEN HO-3
 MR J G HILL HO-G
 MR LATTE HO-2
 MR KIRBY HO-3
 MR PLENDERLEITH HO-P
 MR PRICE HO-3
 MR SMEETON HO-2

MR TOWNEND HO-P
 MR WARLAND HO-1
 MR ARROWSMITH HO-3
 MR BAILEY HO-2
 MISS C M BALFOUR BB-4
 MR BRIAULT/
 MR M F F JONES HO-G
 MR CARTER HO-M
 MR COLLINS HO-M
 MR DE HOEST HO-4
 MR DORRINGTON HO-4
 MR G I EVANS HO-2
 MR EXETER HO-2
 MISS T A GRAY HO-4
 MISS HOPKINSON HO-3
 MR ILES HO-3
 MR JENKINSON HO-2
 MR M R LEWIS HO-3
 MS M V LOWTHER HO-G
 MR McCONNACHIE HO-G
 MR MIDGLEY HO-4

MR C M MILES HO-2
 MR MILNE HO-G
 MR MORTIMER-LEE HO-G
 MR PAGE HO-2
 MR SAGAR HO-3
 MR I D SAVILLE HO-2
 MRS SERGEANT HO-3
 MR SHEPPARD HO-4
 MS STONEFROST HO-M
 MR THORP BB-1
 MR URWIN HO-2
 MR R G WARE HO-3
 MR R P WEBSTER HO-3
 MR P A D WRIGHT HO-4
 DEALERS GIMLET HO-2
 GROUP 9, ID HO-2
 GROUP 11, ID HO-2
 GROUP 12, BSD HO-2
 LORD RICHARDSON PADS

US FINANCIAL DEVELOPMENTS

The latest weekly summary of developments in monetary policy and the financial markets is attached.

International Division
 Group 1, HO-3
 27 September 1988

R T Thorne (4385)

RTT

SUMMARY: 19-25 SEPTEMBER

- Last Saturday's G7 meeting resulted in no new policy initiatives, but will have satisfied US participants as they try to keep markets calm in the run-up to the Presidential election. The meeting's communique contained a thinly veiled call for the US to tackle its budget deficit after the election.
- The communique reaffirmed the commitment to exchange rate stability, but omitted a more detailed remark contained in the previous two summit communiqués about exchange rate fluctuations. It was apparently felt that the remark had been misunderstood by some in the market after the Toronto summit as implying that the authorities would be content with a dollar rise. Officials emphasised that there was no policy significance in the changed language. Nevertheless the omission still raised a little speculation that there was a weakening in resolve to stabilise the dollar.
- US official reserves rose \$3.90 bn to \$47.78 bn in August, indicating heavy intervention.
- The FOMC is thought to have left policy unchanged at its meeting last week, but retained a predisposition towards tightening rather than easing in future. The minutes of the August meeting show that the Fed took a similar position then, but with one member dissenting on the side of tighter policy. The FOMC appears to be ready to place a little more emphasis on monetary aggregates when setting policy in future, following the suggestion of several members.
- Interest rates rose by about 5 bp last week in quiet trading before the G7 meeting, following a higher than expected durable goods orders figure and amid concern about the market's ability to absorb this week's note auctions.
- Discount window borrowing rose sharply last week as a seasonal increase in Treasury balances at the Fed exerted pressure on reserves. Analysts saw no indication in the figures of a change in Fed policy.

POLICY

(a) G7 meeting

1 As expected, the G7 meeting in West Berlin last Saturday resulted in no new policy initiatives and left exchange rate policy unchanged. This outcome will have satisfied the US participants, as their main aim was to keep policy stable to try to retain the current calmness in financial markets in the run-up to the Presidential election. Newly-appointed Treasury Secretary Nicholas Brady apparently kept a low profile at the meeting, letting the more experienced Fed Chairman Greenspan take the lead for the US.

2 The G7 communique said that the meeting participants "re-affirmed their commitments to pursue policies that will maintain exchange rate stability and to continue to co-operate closely on foreign exchange markets". However, the communique omitted the remark made after the last two summits that "either excessive fluctuation of exchange rates, a further decline of the dollar, or a rise in the dollar to an extent that becomes destabilising to the adjustment process, could be counterproductive". The omission apparently did not indicate any change in policy, but when the remark had been repeated at last June's Toronto summit, with its implication that a dollar rise was still regarded as less serious than a dollar fall despite the dollar's firmness already during the year, it had been misinterpreted by some in the market as a sign that the authorities would be content with a dollar rise. To avoid a similar misinterpretation, the statement was left out this time.

3 Nevertheless, the omission, combined with a failure to replace the remark with any similar remark warning against excessive exchange rate fluctuations, apparently raised concern among some officials that the market might see in this some weakening of resolve to stabilise the dollar. The strength of the dollar on Monday may have been partly due to such a perception. However, the obvious alternative to omission, namely a remark expressing equal concern about a dollar rise or fall, might itself have been

interpreted by the market as a definite change in Fed policy and provoked a dollar fall, and this possibility may have influenced officials to leave out the statement altogether. One official also said that the communique was vaguely worded to hide differences between countries. Following the meeting, officials from the US and from other countries were at pains to point out that there was no policy significance in the changed language and that their earlier exchange rate stabilisation agreement was unchanged.

4 There is widespread market speculation that the G7's range for the \$/DM rate currently has an upper bound of DM 1.90 and US officials reportedly indicated that such speculation was reasonable. Intervention tactics are said to have been discussed in private talks at the weekend between Greenspan and Bundesbank President Poehl. Both countries were said to be standing by to resist further upward pressure on the dollar and were apparently part of the joint intervention on Monday after the rate rose to DM 1.89 at one point.

5 Apart from its comments on the exchange rate, the G7 communique presented a buoyant picture of the world economy, with economic growth and investment strong, and little evidence of an inflationary threat following the recent tightening by several countries, although "continued vigilance is required" on that score. In a thinly veiled reminder that the US will need to confront its budget deficit problem after the election, the communique said that "where external and budget deficits are still large the strengthening of the fiscal position will be essential". Surplus countries were urged to encourage strong domestic demand.

(b) Official reserves

6 US official reserves rose \$3.90 bn to \$47.78 bn in August, following a \$2.85 bn rise in July. The foreign currency component of reserves rose by \$3.96 bn, an almost identical figure to the total rise, and now stands at \$18.02 bn, thus indicating heavy intervention, especially as the dollar's slight appreciation during the month will have tended to reduce the dollar value of those reserves.

(c) Domestic policy

7 The FOMC is thought to have left its policy stance unchanged at its meeting last week, as economic data showed signs of slower GNP growth in August, and committee members may well wish to hold policy steady for a while while the effects of the tightening earlier this year work their way through the economy. Nevertheless, the Fed is likely to have indicated again a predisposition towards tightening rather than easing in the light of future developments.

8 The minutes of the previous FOMC meeting on 16 August were released last week and as expected show that it voted to maintain steady policy, but with a predisposition towards tightening rather than easing. Cleveland Fed President Lee Hoskins dissented, though, favouring instead an immediate tightening. One reason given for holding policy steady was that the financial markets did not appear to have fully adjusted to the discount rate rise on 9 August, and it was also felt that further tightening might unsettle the markets or push the dollar up to an undesirable level.

9 At the August meeting, several members felt that the monetary aggregates should be given more weight in policy decisions, although the FOMC decided that more time was still needed to assess M2's reliability as an indicator and that economic indicators of inflationary pressures should still be the most important factor in decisions. Accordingly, the policy directive issued to the New York Fed at the end of the meeting moved "the behaviour of the monetary aggregates" above "developments in foreign exchange and domestic financial markets" in the list of factors to be taken account of in setting policy in the inter-meeting period.

MONEY

10 M3 rose by a moderate 0.1% and M2 rose even more modestly in the week ending 12 September, following similarly small changes in the week before. M1 fell by 0.1%, despite a consensus market forecast of a 0.2% rise. M2 and M3 thus remain well within their

target ranges, having experienced slow growth over the last few months, partly because of the effects of the rise in interest rates over that period.

RESERVES

11 Average adjustment and seasonal borrowing from the Fed's discount window rose \$688 mn to \$1,240 mn in the week ending 21 September. The sharp increase in borrowing seems to have been due to technical factors rather than any tightening of policy. Indeed, policy is widely thought to be being held steady at present. Reserves had been drained last week by an increase in Treasury balances at the Fed to an average of \$9 bn over the week, compared with \$5 bn the week before. The Fed aggressively added reserves throughout the week via system repos on almost every day, and by the end of the week no less than \$17 bn in system repos was outstanding. However, a large net miss in their reserve projections on the Friday, when they underestimated Treasury balances, will have added to the reserve pressures. Treasury balances on Wednesday jumped to \$19 bn, causing discount window borrowing of \$5.3 bn and pushing the Fed funds rate up to 20% at one point.

12 Despite the heavy borrowing, the Fed funds rate averaged 8.17% during the week, very close to the perceived Fed target of 8 1/8%. The Fed's discount window borrowing target is seen as being \$600 mn.

MARKET DEVELOPMENTS (19-23 September)

13 Treasury interest rates rose by about 5bp last week in quiet trading last week as traders waited for the G7 meeting and, a little further in the future, the September employment figures to be released next week. The higher than expected rise in durable goods orders in August and concern about the need for the market to absorb this week's note auctions contributed to the rise. Weakness in gold and other commodity prices partially counterbalanced these factors. The dollar was fairly stable over the week as dealers generally kept square positions, but it briefly tested DM 1.88 and was pushed back by mild Fed intervention.

TREASURY AUCTIONS

Monday	26 September	Auction of \$14.0 bn of three- and six-month bills, raising \$900 mn of new cash.
Auction of \$15.75 bn, involving a \$1.725 bn net paydown, and comprising:		
Tuesday	27 September	Auction of \$8.75 bn of two-year notes
Wednesday	28 September	Auction of \$7 bn of four-year notes

ECONOMIC INDICATORS

Friday	30 September	Leading indicators; August Home sales; August
Monday	3 October	Factory orders; August
Thursday	6 October	Consumer credit; August
Friday	7 October	Employment and unemployment; September
Wednesday	12 October	Retail sales; September
Thursday	13 October	Merchandise trade; August Industrial production; September Business inventories; August
Friday	14 October	Producer price index; September

OTHER DATES

Monday	10 October	Columbus Day holiday
--------	------------	----------------------

US: MONEY AND BANKING STATISTICS

1 MONETARY AGGREGATES	Level (\$ bn)	Change in level (\$ bn)		% change (ar)		target base	target range (1988)	
		Latest week/ month	Previous week/month	Latest 4 weeks	Latest 4 weekly average over: weeks ended 13 weeks ago		% growth	\$ bn
M1 (12. 9.88)	782.1	- 1.0	+ 0.4	+ 1.3	+ 6.0	+ 5.0		
M2 (12. 9.88)	3,037.1	+ 1.4	+ 1.6	+ 3.9	+ 3.1	+ 6.0	4-8	3013.4-3129.3
M3 (12. 9.88)	3,353.4	+ 3.9	- 0.1	+ 9.5	+ 6.5	+ 6.8	4-8	3799.4-3945.6
Credit Aggregate (June)	8,543.2	+54.7	+58.8	+ 7.9	+ 8.5	+ 9.3	7-11	8814.9-9144.4

2 FINANCIAL STATISTICS

	Level (\$ bn)	Change in level (\$ bn)		% Change (ar)	
		Latest week	Previous week	Latest 4 weeks	Latest 4 weekly average over: 4 weeks ended 13 weeks ago
Business loans [#] (14. 9.88)	296.6	-0.4	+0.1	-10.8	- 3.8
Commercial Paper (14. 9.88)	414.1	-5.3	-3.4	+ 3.1	+ 5.7
Money Market					
Mutual Funds (21. 9.88)	267.2	+0.7	-0.3	+ 1.5	0.0

3 RESERVES

	TWO WEEK PERIOD TO 21 SEPTEMBER		LATEST WEEK TO 21 SEPTEMBER	
	Level (\$ mn)	Change in level (\$ mn)	Level (\$ mn)	Changes in Level Latest Week
Discount window borrowing of which adjustment and seasonal borrowing	2,971	- 122	2,911	- 120
extended credit	896	+ 285	1,240	+ 688
Net free (borrowed) reserves	2,075 (101)	- 407 - 589	1,671	- 808

Target bases (1987 Q4 averages)

M2 2897.5

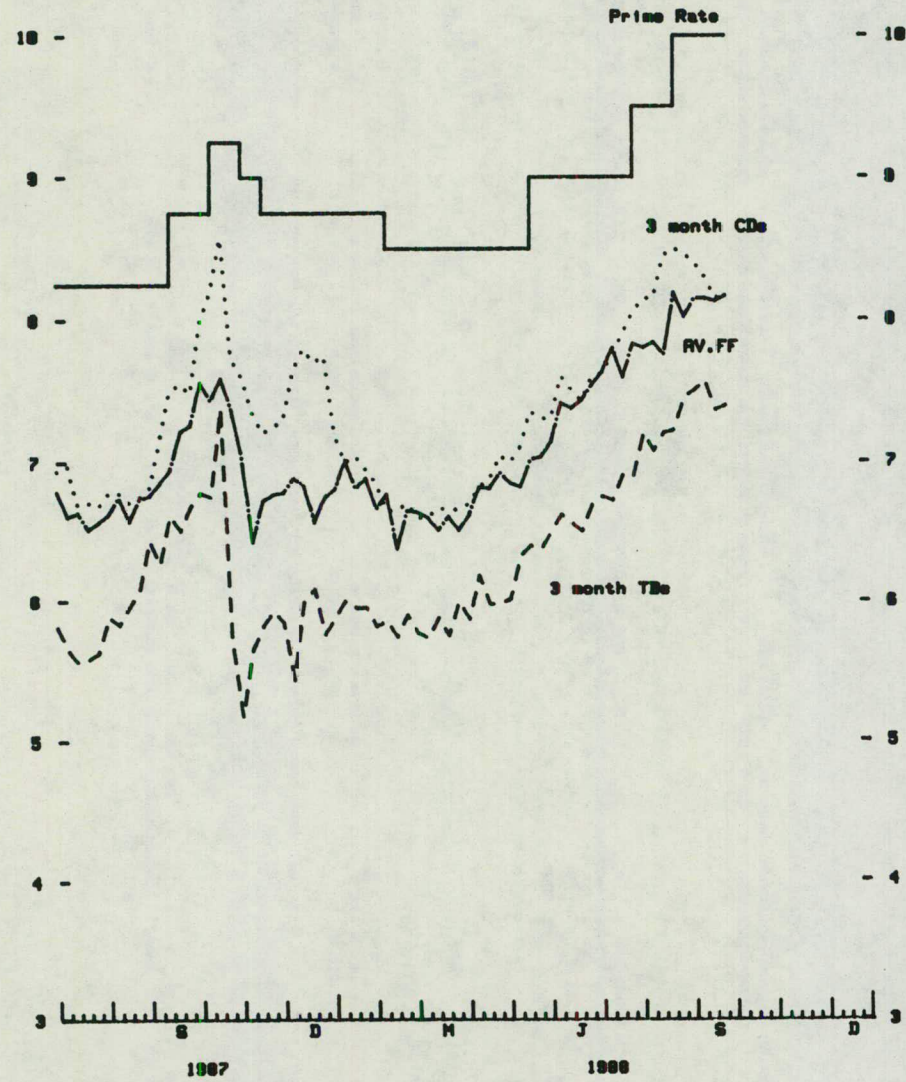
M3 3653.3

Credit aggregate 8238.2

[#] Major commercial banks

US MONEY MARKET RATES *

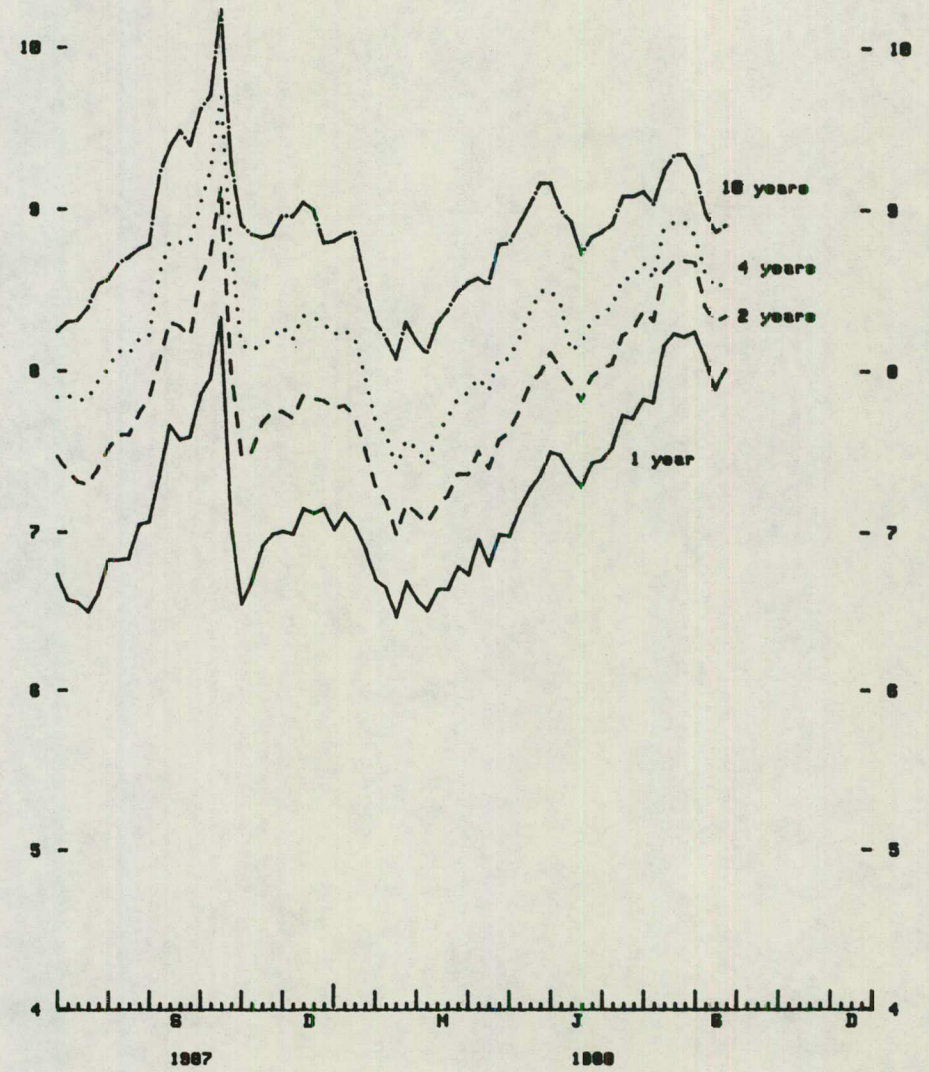
Per cent per annum
11 -



* Wednesday Close Except RV.FF

US TREASURY NOTE/BOND YIELDS *

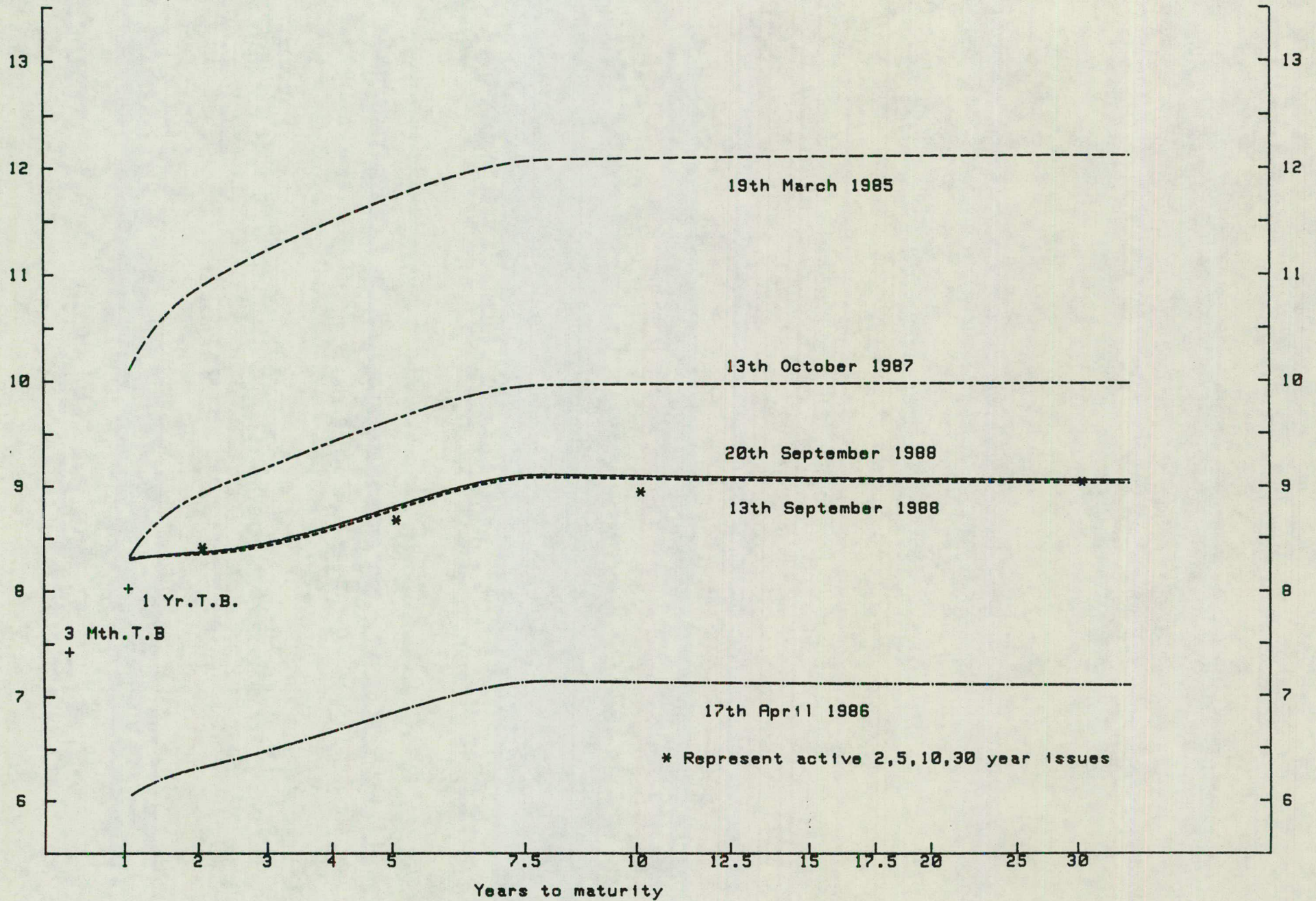
Per cent per annum
11 -



* Wednesday Close

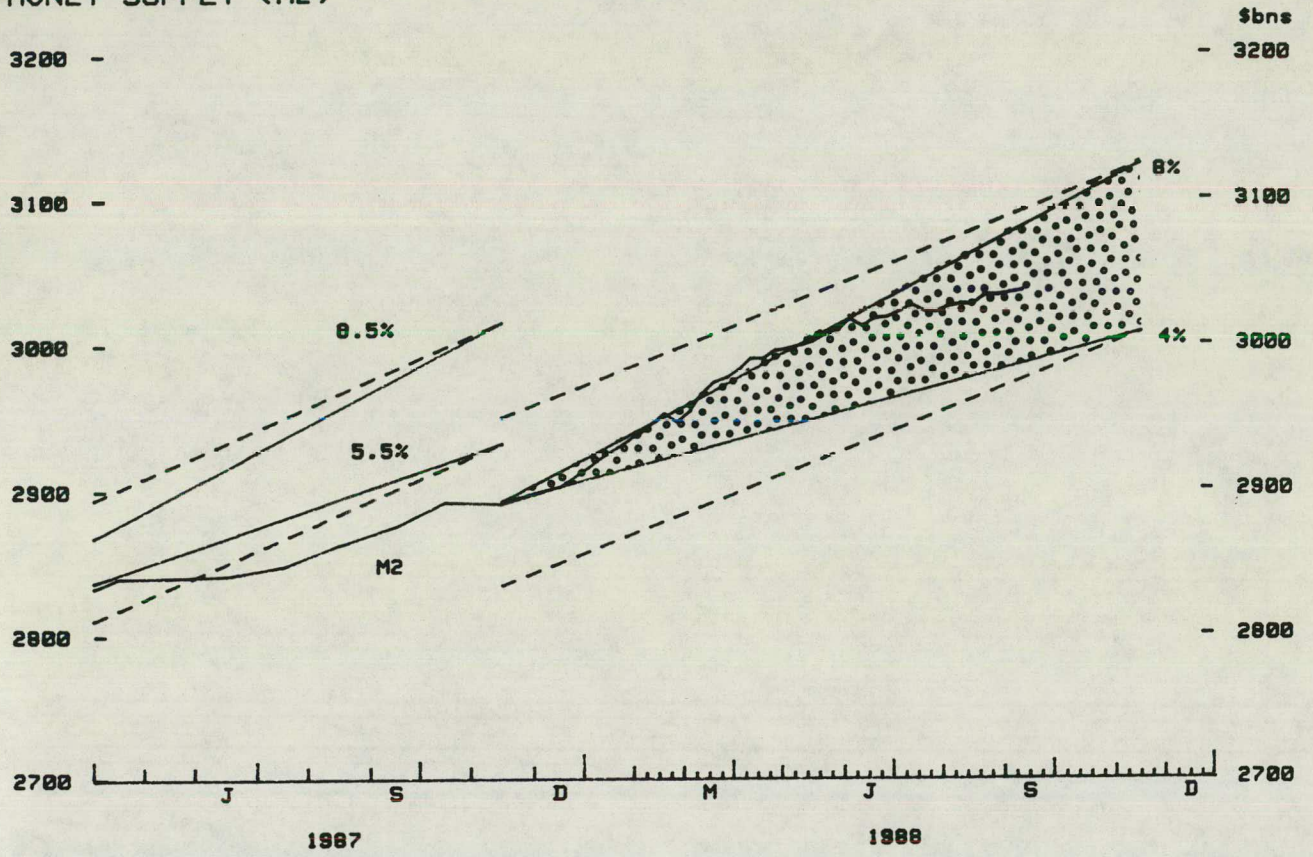
TIME YIELD CURVES FOR U.S. TREASURY BONDS

Per cent



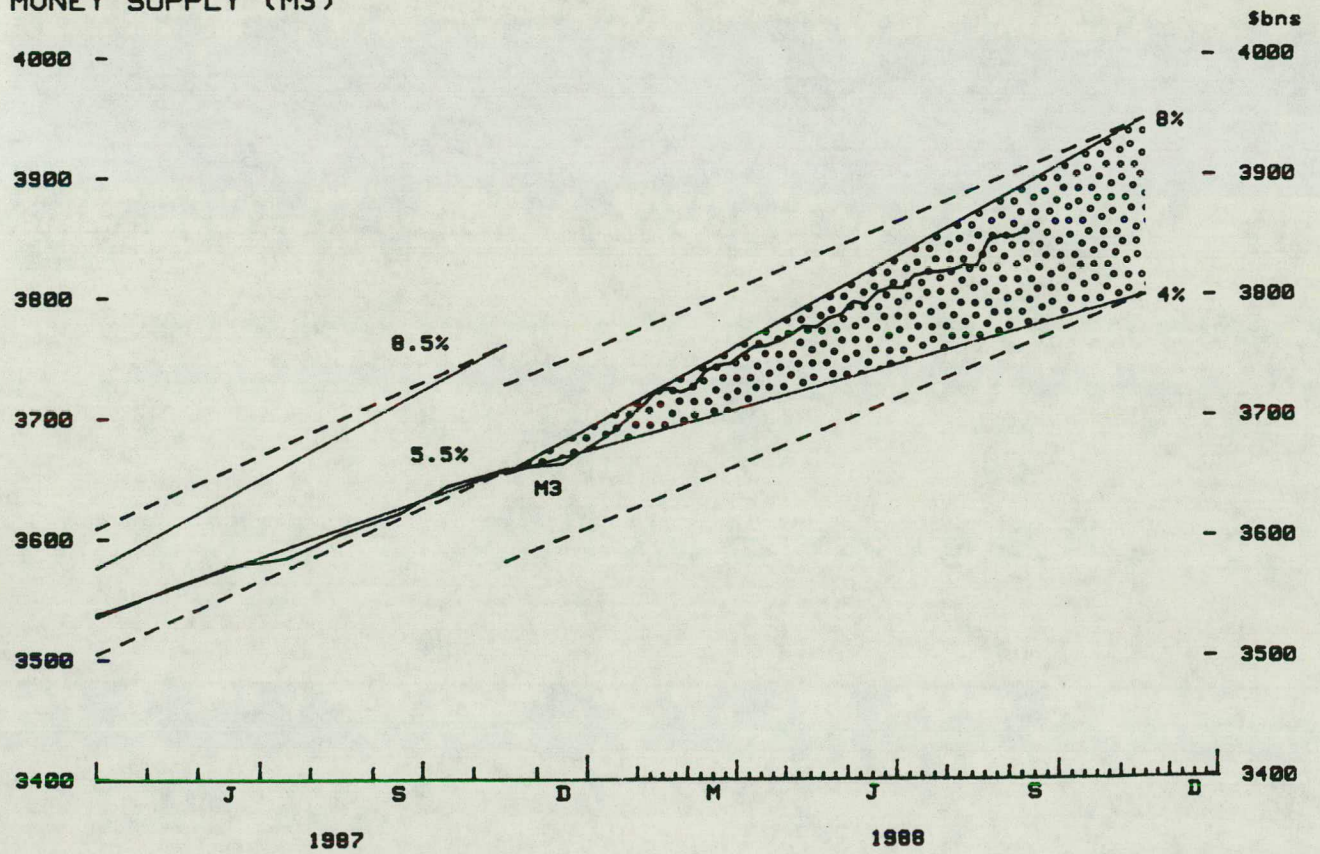
MONEY SUPPLY (M2)

Chart 3



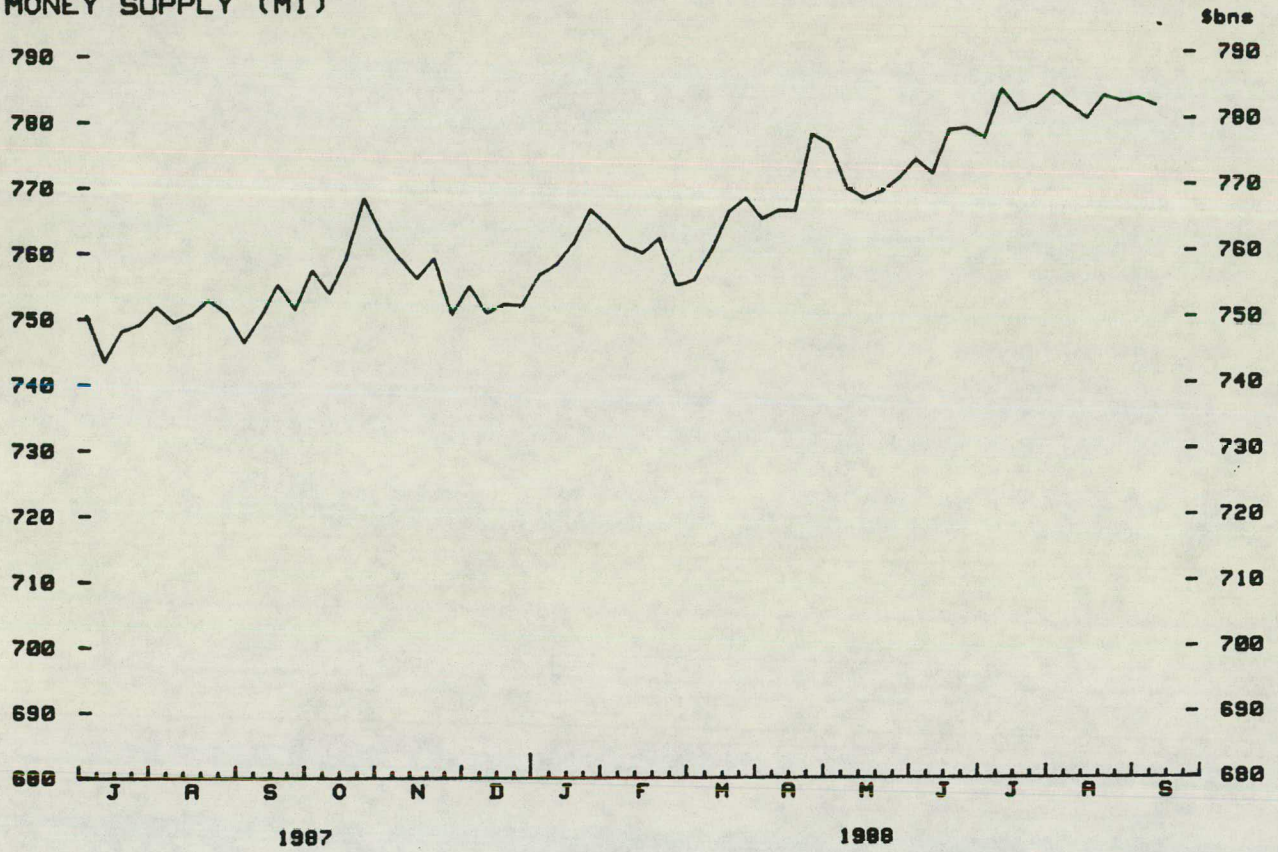
MONEY SUPPLY (M3)

Chart 4



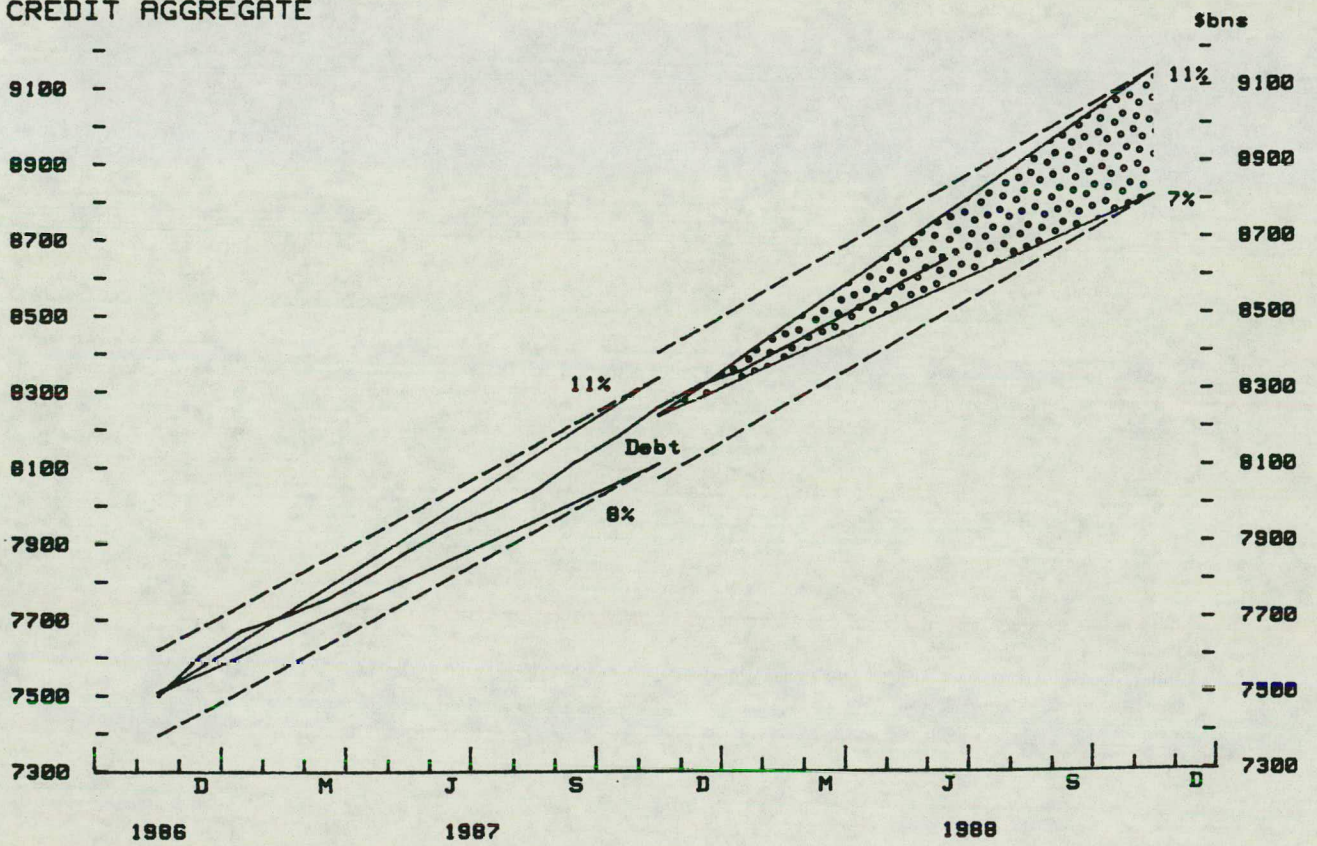
MONEY SUPPLY (M1)

CHART 5



CREDIT AGGREGATE

Chart 6



CHEX
14/17

[Handwritten signature]

AB
Pos

MIDLAND'S MCMAHON SEES FALLS IN DOLLAR, POUND NRCS

WEST BERLIN, SEPT 28, REUTER - BOTH THE DOLLAR AND THE POUND WILL HAVE TO FALL TO REDUCE THE U.S. AND BRITISH TRADE DEFICITS, MIDLAND BANK PLC CHAIRMAN KIT MCMAHON SAID.

"THE RECENT RISE IN THE DOLLAR SEEMS TO ME TO HAVE BEEN QUITE IRRATIONAL AND WILL HAVE TO BE REVERSED," MCMAHON TOLD REPORTERS. THE POUND, TOO, OVER TIME, WOULD HAVE TO MOVE LOWER AGAINST THE MARK. "IT'S HARD TO IMAGINE HOW WE CAN AVOID A CONSIDERABLE REDUCTION IN THE STERLING EXCHANGE RATE."

MCMAHON SAID IT WAS "EXTREMELY MISGUIDED" OF BRITISH CHANCELLOR OF THE EXCHEQUER NIGEL LAWSON TO SAY THAT FISCAL POLICY HAS NO ROLE TO PLAY IN REGULATING DOMESTIC DEMAND.

28-SEP-0809. MON002 MONE

CONTINUED ON - NRCT

P REUTER MONITOR 0859

MIDLAND'S MCMAHON SEES FALLS IN DOLLAR, POUND -PART 2 NRCT

MCMAHON SAID INFLATION WAS OBVIOUSLY A CONCERN IN BRITAIN, MORE SO THAN IN THE U.S., AND A TIGHTER FISCAL POLICY MIGHT BE NEEDED NEXT YEAR. BUT HE SAID IT WAS REASONABLE FOR LAWSON TO TRY TO WAIT A FEW MONTHS TO SEE IF THE ECONOMY COOLS DOWN IN RESPONSE TO THE RECENT INCREASES IN INTEREST RATES.

MCMAHON SAID HE WAS NOT VERY ENCOURAGED BY THE ECONOMIC PROGRESS THAT ARGENTINA HAS MADE IN THE PAST YEAR, BUT HE DEFENDED THE WORLD BANK FOR MAKING NEW LOANS EVEN THOUGH BUENOS AIRES HAS NO IMF PROGRAMME YET. IT WAS CHURLISH FOR PEOPLE TO CRITICIZE THE WORLD BANK FOR ACTING SWIFTLY AFTER URGING IT FOR SO LONG TO BE MORE ACTIVE IN TACKLING THE DEBT CRISIS, HE SAID.

28-SEP-0841. MON040 MONE

CONTINUED FROM - NRCS CONTINUED ON - NRCU

P REUTER MONITOR 0859

MIDLAND'S MCMAHON SEES FALLS IN DOLLAR, POUND -PART 3 NRCU

COMMERCIAL BANKS SHOULD LEND MORE TO DEVELOPING COUNTRIES IF THERE ARE IMAGINATIVE FINANCING MENUS AS IS THE CASE WITH BRAZIL'S CURRENT PACKAGE. BUT IN THE LONGER TERM, BANKS HAD NO ROLE TO PLAY IN PROVIDING DEVELOPMENT FINANCE, MCMAHON SAID.

MIDLAND BANK MIGHT LEND MONEY TO SOVIET AND CHINESE STATE ENTITIES, BUT IN GENERAL IT WAS NO LONGER IN THE BUSINESS OF BALANCE-OF-PAYMENTS LENDING TO SOVEREIGN BORROWERS, HE SAID.

JACQUES DE MANDAT-GRANCEY, A SENIOR MIDLAND OFFICIAL RESPONSIBLE FOR THE BANK'S LATIN AMERICAN PORTFOLIO, SAID THE BANK'S CURRENT EXPOSURE TO THE REGION OF 7.2 BILLION DLRS WOULD BE REDUCED BY 200 MLN STG, OR ABOUT 340 MLN DLRS, BY END-1989.

28-SEP-0846. MON045 MONE

CONTINUED FROM - NRCT ENDS

P REUTER MONITOR 0859

Miss O'Mara

Can you oblige, please. The Committee are still planning to go to Japan from 15-22 October, so it would be useful to get it to them by 14/10, provided you can clear it with CEX in time which may, of course, be a problem because of the party conference (11-14 Oct).

B 29/9

Dear Judith,

UK ECU Treasury Bill programme

In preparation for the Committee's meeting on 2 November it would greatly help the Committee if they could be sent a note on the background to ~~ad~~ the reasons for the decision announced on 2 August that a new programme of issues of UK Government ECU Treasury Bills would be launched this autumn.

Yours sincerely,
George

G Cubie
Clerk of the Committee

Miss J C Simpson
HM Treasury
Parliament Street
London
SW1P 3AG



COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA
01-219 3285 (Direct Line)
01-219 3000 (Switchboard)

cc PS/CEX
PS/EST Si G Litter
No odling - Ince
No facts

Ken (per) EA/005

~~Handwritten signature~~

28 September 1988

12
~~Handwritten initials~~
BF 7/10
hom

~~Handwritten initials~~

FROM: MISS M O'MARA
DATE: 28 September 1988

MISS WALLACE

cc Mr Nelson

CONTRIBUTION TO LETTER FROM PRIME MINISTER TO SIR JOHN EGAN

X || You asked us to update the exchange rate reference in the Prime Minister's reply to Sir John Egan, since the Department of Employment had been sitting on their contribution since May!

2. Very fortunately, the rate of sterling against the dollar has fallen since Sir John wrote on 11 May. I attach a draft, although I feel there is now a strong case for allowing Sir John to assume his letter had been lost in the post (unless No.10 have dutifully been sending interim replies). There must otherwise be a risk that he will believe we have deliberately held back our reply until the exchange rate looked more favourable.

mom

MISS M O'MARA

Ch

/ This is irritating but unavoidable. Paul Gray does want to reply, I have confirmed. Are you happy with the line? *yes - mpm*

[It is interesting to note that it is not just the Treasury that has problems getting replies from D. Employment.] |

per hynes 1 this
AND PAGE BEHIND

~~DRAFT PRIVATE SECRETARY LETTER TO~~

Paul Gray Esq
Private Secretary
10 Downing Street
London SW1A 0AA

final for me.
m -

You asked us to update the draft contribution on the exchange rate I originally supplied for the Prime Minister's reply to Sir John Egan with my letter of 27 May.

I enclose a fresh version. ~~Fortunately, sterling has fallen against the dollar in the interim!~~

I am copying this letter to Clive Norris (Dept of Employment).

MOIRA WALLACE

CONTRIBUTION TO LETTER FROM PRIME MINISTER TO SIR JOHN EGAN

"You also commented on the problem you faced because of the rise in sterling's exchange rate, particularly against the dollar. Since you wrote, sterling has, in fact, fallen against the dollar, ~~to its current level of [below \$1.70]~~ However, I do, of course, recognise your concerns. The defeat of inflation must remain our overriding objective, as I am sure you will agree. But subject to that, we shall continue to aim for exchange rate stability, as we and the other major industrial countries committed ourselves to do (last week) in Berlin."

pol

FOREIGN EXCHANGE MARKETS

MG EVENING REPORT

Wednesday 28 September 1988

Previous close		Today		since Plaza	%change \$/currency since Paris	since 16 October 1987
		opening 8.30am	close 4.00pm			
75.6	£ERI	75.6	75.8	-7.6	9.7	3.0
1.6777	\$/£	1.6800	1.6827	22.5	10.1	1.1
3.1544	DM/£	3.1537	3.1638	-18.9	13.3	5.6
1.5221	ECU/£	1.5223	1.525			
99.7	\$ERI	-	99.7	-28.6	-4.1	-0.5
1.8802	DM/\$	1.8772	1.8802	51.1	-2.9	-4.2
134.47	Yen/\$	134.20	134.3	77.6	14.3	6.4

Oct \$12.70 Nov \$12.82 Dec \$12.92 Spot Brent Oct \$12.80 Nov \$12.95 Dec \$13.07

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position
	139	110	3738	Market intervention	119
	2	-310	-1119	Off-market transactions	-211
	141	-200	2619	TOTAL	-92
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-106

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium	+20Swfr	Germany	-	Italy	-
Denmark	-	Holland	-	Japan	-
France	-	Ireland	-	US	-

MARKET COMMENT

The dollar drifted lower overnight in directionless markets. Today the dollar traded in narrow range although it did stagger above DM1.88 but did not have sufficient impetus to sustain that level. With many Japanese away from the markets to sort and square their 1/2 year books, trading was rather thin.

Sterling rose following remarks by the Chancellor at morning press conference in West Berlin. Markets looking for an excuse to buy sterling, seized on Chancellors "devaluation" comment and sterling reached DM3.1675 at best.

Rates at 7.10PM: \$1.6898 DM3.1696 DM/\$1.8757 Y/\$134.03

Tom Polin

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8118	7.8115	0.0003
Hang Seng Index	2466.27	2449.75	-16.52
3 month interbank rate	8 7/16%	8 1/2%	UP 1/16%

Terry Smeeton

NAME: I.C.Polin
TEL NO: 270-5556

MONEY MARKETS

Wednesday 28th September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	11 1/2	1/4	8 3/8	1/16
1 mth	11 11/16	0	8 3/8	1/8
3 mth	11 29/32	-1/32	8 7/16	1/16
12 mth	11 3/4	-1/16	8 15/16	1/16

BILLS

	Today	Change
3 Month Treasury Bills	11 5/8	- 11 1/2
		1/4

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			11 5/8-1/2
Band 2 (15-31 days)			11 9/16-17/32
Band 3 (32-63 days)			11 39/64-37/64
Band 4 (64-91 days)			11 39/64-37/64
TOTAL BILLS	0		
Repurchase	91	Due 30 Sep at 10 7/8-11 3/8	
Lending			
TOTAL OPERATIONS	91	against surplus	£ 100 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.30	0.07	9.05	0.04	9.14	0.03

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1466.4	7.3	1812.5	4.5	87.75	-0.01

MARKET COMMENT

GILTS opened slightly easier, continuing yesterday's later trend, with losses of 1/8 to 3/16 through the list. As sterling strengthened the losses were recovered and prices were ahead for much of the morning before easing off again in the afternoon. Shorts were 1/4 down, mediums 1/8 and longs 3/16.

INDEXED LINKED were firm late last night and opened better again, but lost much of their strength; shorter dates were 1/8 down and longs 1/8 up.

EQUITIES saw mid morning gains as sterling surged ahead which were shaved by the close on renewed fears at the continuing level of consumer spending.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4613

GILT-EDGED MARKET

Wednesday 28th September 1

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September
Gross sales shorts	4.5	68.0
Gross sales mediums	23.1	542.5
Gross sales longs and undated	52.2	758.2
Gross sales index-linked	22.3	396.1
Part paid calls		369.9
Buying in non-next maturities shorts	-4.9	40.8
Buying in non-next maturities mediums	-40.9	-585.0
Buying in non-next maturities longs	-76.1	-1072.1
Buying in non-next maturities index-linked	-9.2	-368.4
CRND: Market transactions	-0.4	-32.8
TOTAL 'GROSS' SALES	-29.4	35.6
Buying in of next maturities	-1.5	1.0
Redemptions	-0.2	-7.4
TOTAL TRANSACTIONS WITH MARKET	-31.1	29.2

Future calls

Sales required to meet * target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close		Change from yesterday's close	
	Par	yield (per cent)	Price (£/32)	Yield (%)
Shorts	10.096		-4	0.03
Mediums	9.934		-3	0.02
Longs	9.432		-6	0.02

REPRESENTATIVE STOCKS

	Price (£/32)		Yield (per cent)	
	Today	Change	Today	Change
8% Treasury 1992	93	22	-4	10.17
8 3/4 Treasury 1997 'C'	93	13	-3	9.88
11 3/4 Treasury 2003/07	115	10	-6	9.73
3% Treasury 1992	83	8	12	8.35
2 1/2% Index-Linked 2016	98	10	6	3.89
2% Index-Linked 1994	94	4	1	3.54

GILT FUTURES

		Open	Close	Volume
Long Contract	December	95.09	95.10	24090
Medium Contract	December			

NAME: Peter Smith
TEL NO: 270 4613

mf

IGN EXCHANGE MARKETS

MG EVENING REPORT

Thursday 29 September 1988

%change
\$/currency

Previous close		Today opening 8.30am	Today close 4.00pm	since Plaza	since Paris	since 16 October 1987
75.8	£ERI	76.0	75.8	-7.6	9.7	3.0
1.6827	\$/£	1.6865	1.682	22.4	10.1	1.1
3.1638	DM/£	3.1715	3.1667	-18.9	13.4	5.7
1.5250	ECU/£	1.5253	1.5258			
99.7	\$ERI	-	99.7	-28.6	-4.1	-0.5
1.8802	DM/\$	1.8805	1.8827	50.9	-3.0	-4.4
134.30	Yen/\$	134.35	134.27	77.7	14.4	6.4

Oct \$12.80 Nov \$12.95 Dec \$13.07 Spot Brent Oct \$12.47 Nov \$12.67 Dec \$12.80

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position *
	79	189	3817	Market intervention	198
	-2	-312	-1121	Off-market transactions	-219
	77	-123	2696	TOTAL	-21
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-35

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium -	Germany -14\$	Italy +157DM, +42ECU
Denmark -	Holland -	Japan -
France -	Ireland -	US -

MARKET COMMENT

The dollar eased in New York last night as markets did not have the impetus to push it over DM1.88. In the Far East following reports that Gorbachev was "reorganising" the Government and had called an urgent Politburo meeting the dollar rebounded reaching a high of DM1.8845. But reports that the Bundesbank had telephoned for quotes caused the dollar to ease again. In early morning trading the dollar continued to ease but in a narrow trading range closed the day close to yesterday's levels. Sterling, after rising above \$1.69 and DM3.17 overnight, had a quiet day.

Rates at 5.57PM: \$1.6830 DM3.1672 DM/\$1.8819 Y/\$134.32

Tan Polin

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8115	7.8097	0.0018
Hang Seng Index	2449.75	2439.39	-10.36
3 month interbank rate	8 1/2%	8 9/16%	UP 1/16%

Terry Smeeton

NAME: I.C. Polin
TEL NO: 270-5556

MONEY MARKETS

Thursday 29th September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	11 3/4	1/4	8 1/4	-1/8
1 mth	11 11/16	0	8 5/16	-1/16
3 mth	11 7/8	-1/32	8 5/8	3/16
12 mth	11 11/16	-1/16	8 15/16	0

BILLS

	Today		Change	
3 Month Treasury Bills	11 1/2	-	11 1/4	-1/4

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			11 3/4-1/2
Band 2 (15-31 days)			11 5/8-9/16
Band 3 (32-63 days)			11 19/32-17/32
Band 4 (64-91 days)			11 35/64-17/32
TOTAL BILLS	0		
Repurchase	152	Due 30 Sep at 11 3/16-11 1/4%	
Lending			
TOTAL OPERATIONS	152	against surplus £ 150 m	

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.25	-0.05	9.01	-0.04	9.11	-0.03

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1477.6	11.2	1829.0	16.5	87.89	0.14

MARKET COMMENT

GILTS opened quietly firm, on the strength of sterling, with shorts up 1/8 to 1/4, and mediums and longs the same. For much of the day it traded slightly above this level, but as sterling came back in the afternoon the market eased with it. Shorts finished unchanged, mediums up 1/8 and longs 1/4.

INDEXED LINKED were quiet; shorter maturities gained 1/8 and longs lost a similar amount.

EQUITIES progressed steadily on bid speculation and advanced further during the afternoon on Wall Street's firm opening.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4613

GILT-EDGED MARKET

Thursday 29th September 19

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September
Gross sales shorts		68.0
Gross sales mediums	28.2	570.7
Gross sales longs and undated	14.1	772.3
Gross sales index-linked	4.9	401.0
Part paid calls		369.9
Buying in non-next maturities shorts		-40.8
Buying in non-next maturities mediums	-39.4	-624.4
Buying in non-next maturities longs	-15.1	-1087.2
Buying in non-next maturities index-linked	-5.1	-373.5
CRND: Market transactions		-32.8
TOTAL 'GROSS' SALES	-12.4	23.2
Buying in of next maturities	-5.1	-4.1
Redemptions	-0.2	-7.6
TOTAL TRANSACTIONS WITH MARKET	-17.7	11.5
		Future calls
Sales required to meet * target of £ m		

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close		Change from yesterday's close	
	Par yield (per cent)		Price (£/32)	Yield (%)
Shorts	10.123		-1	0.01
Mediums	9.935		1	-0.01
Longs	9.447		8	-0.03

REPRESENTATIVE STOCKS

	Price (£/32)			Yield (per cent)	
	Today	Change		Today	Change
8% Treasury 1992	93 24	2		10.15	-0.02
8 3/4 Treasury 1997 'C'	93 18	5		9.85	-0.03
11 3/4 Treasury 2003/07	115 20	10		9.70	-0.03
3% Treasury 1992	83 10	2		8.33	-0.02
2 1/2% Index-Linked 2016	98 4	-6		3.90	0.01
2% Index-Linked 1994	94	-4		3.57	0.03

GILT FUTURES

		Open	Close	Volume
Long Contract	December	95.16	95.17	18069
Medium Contract	December	94.01	94.07	240

NAME: Peter Smith
TEL NO: 270 4613

M

FOREIGN EXCHANGE MARKETS

MG EVENING REPORT

Friday 30 September 1988

%change
\$/currency

Previous close		Today		since Plaza	since Paris	since 16 October 1987
		opening 8.30am	close 4.00pm			
75.8	£ERI	75.9	75.9	-7.4	9.8	3.1
1.6820	\$/£	1.6865	1.686	22.7	10.3	1.3
3.1667	DM/£	3.1693	3.1692	-18.8	13.5	5.7
1.5258	ECU/£	1.5271	1.527			
99.7	\$ERI	-	99.6	-28.7	-4.2	-0.6
1.8827	DM/\$	1.8792	1.8797	51.1	-2.8	-4.2
134.27	Yen/\$	134.35	134.57	77.3	14.1	6.2

Oct \$12.47 Nov \$12.67 Dec \$12.80 Spot Brent Oct \$11.90 Nov \$12.10 Dec \$12.25

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	September end-month position
	72	261	3889	Market intervention	131
	-23	-335	-1144	Off-market transactions	-274
	49	-74	2745	TOTAL	-143
				Net borrowing	-14
				Valuation changes	0
				TOTAL CHANGE IN RESERVES	-157

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium	-	Germany	-	Italy	+161DM, +5ECU
Denmark	-	Holland	-	Japan	-
France	-	Ireland	-	US	-

MARKET COMMENT

After a quiet day the market began to pick up after the close. The dollar traded in a narrow range with US statistics having little effect. After the close two comments by Fed. Governor Seger who said that a sharply higher dollar could put the brakes on US expansion and by Subroto of OPEC who said he feared that the Saudis may flood the oil market caused the dollar to fall away quite sharply. Sterling was steady today awaiting the next set of major UK indicators.

SEPTEMBER Reserve figures, to be published on TUESDAY 4 OCTOBER are shown in Box (B).

Rates at 9PM: \$1.6923 DM3.1629 DM/\$1.8690 Y/\$132.77

Ian Polin

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8097	7.81	-0.0003
Hang Seng Index	2439.39	2441.05	1.66
3 month interbank rate	8 9/16%	8 7/16%	DOWN 1/8%

Terry Amelton

NAME: I.C. Polin
TEL NO: 270-5556

S E C R E T

MONEY MARKETS

Friday 30th September 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	11 7/8	1/8	8 1/4	0
1 mth	11 13/16	1/8	8 5/16	0
3 mth	11 15/16	1/16	8 5/8	0
12 mth	11 3/4	1/16	8 7/8	-1/16

BILLS

	Today		Change	
3 Month Treasury Bills	11 1/2	-	11 3/8	1/8

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	263	11 7/8	11 7/8-5/8
Band 2 (15-31 days)	2	11 13/16	11 3/4-5/8
Band 3 (32-63 days)			11 21/32-5/8
Band 4 (64-91 days)			11 11/16-9/16
TOTAL BILLS	265		
Repurchase			
Lending	250	At 12%	
TOTAL OPERATIONS	515	against shortage £	450 m

Average rate of Discount 11.3908%

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.40	0.15	8.94	-0.07	9.05	-0.06

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1476.5	-1.1	1826.5	-2.5	87.97	0.08

MARKET COMMENT

GILTS had a quiet day. Shorts and longs opened 1/16 easier, mediums unchanged. Stock was offered, especially in shorts, following Bank's invitation to 230 lending but the market recovered strongly on the late surge in sterling and US treasuries to close with gains of 1/16 in shorts, 3/16 in mediums and 1/4 in longs.

INDEXED LINKED, moderately firm throughout, enjoyed a late surge and finished a 1/4 to 3/8 better.

EQUITIES traded in a narrow range just below last night's closing levels, ignoring sterling's improvement and Wall Street's good start

Peter Smith

NAME: Peter Smith
TEL NO: 270 4613

GILT-EDGED MARKET

Friday 30th September 1988

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September	October
Gross sales shorts		68.0	
Gross sales mediums	18.6	570.7	18.6
Gross sales longs and undated	121.2	772.3	121.2
Gross sales index-linked	7.2	401.0	7.2
Part paid calls		369.9	
Buying in non-next maturities shorts		-40.8	
Buying in non-next maturities mediums	-24.0	-624.4	-24.0
Buying in non-next maturities longs	-138.9	-1087.2	-138.9
Buying in non-next maturities index-linked	-6.6	-373.5	-6.6
CRND: Market transactions		-32.8	
TOTAL 'GROSS' SALES	-22.5	23.2	-22.5
Buying in of next maturities	-10.1	-4.1	-10.1
Redemptions	-0.2	-7.8	
TOTAL TRANSACTIONS WITH MARKET	-32.8	11.3	-32.6

Future calls

Sales required to meet

target of

£ _____ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close		Change from yesterday's close	
	Par yield (per cent)		Price (£/32)	Yield (%)
Shorts	110.117		2	-0.02
Mediums	9.898		5	-0.03
Longs	9.418		5	-0.02

REPRESENTATIVE STOCKS

	Price (£/32)		Yield (per cent)	
	Today	Change	Today	Change
8% Treasury 1992	93 26	2	10.13	-0.02
8 3/4 Treasury 1997 'C'	93 24	6	9.82	-0.03
11 3/4 Treasury 2003/07	115 30	10	9.66	-0.04
3% Treasury 1992	83 12	2	8.32	-0.01
2 1/2% Index-Linked 2016	98 14	10	3.88	-0.02
2% Index-Linked 1994	94	0	3.58	0.01

GILT FUTURES

		Open	Close	Volume
Long Contract	December	95.15	95.19	10248
Short Contract	December	94.00	93.29	622

NAME: Peter Smith
TEL NO: 270 4613

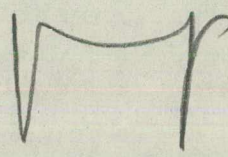
WEEKLY INTEREST/EXCHANGE RATE AND COMMODITY PRICE TABLES

CIRCULATION LIST

DATE: 30th SEPTEMBER 1988

CHANCELLOR'S OFFICE

MR. S. BROOKS 88/G
MR. J.W. GRICE 89/G
MISS R. MCROBBIE 107/G
MISS M. O'MARA 108/G
MRS C. RYDING 110/G
MR. P. MOUNTFIELD 80/1
MR. J. ODLING-SMEE 45/2
MR. N.J. MONCK 46/2
SIR P.E. MIDDLETON 78A/2
MR. H. WALSH 108/3
Ms. V.F. LIFE 109/3
MR. M.C. SCHOLAR 87/2
MR. S. PICKFORD 97/2
MR. P.S. CURWEN 98/2
MR. J. MCLAREN 33/3
SIR J.G. LITTLER 113/2
MR. R. MOLAN 81/1
MR. R.E. DEANE 41/3
MR. T.P. LANKESTER 116/2
SIR T. BURNS 119/2
MR. A.M. DOLPHIN 32/3
MR. M. LYON 34/3
MR. D. OWEN 36/3
Ms. C. TURK 35A/3
MR. P.N. SEDGWICK 39/3
MR. S.W. MATTHEWS 104/3
MR. D. SAVAGE 106/3
MR. H.P. EVANS 107/3
MR. W. HOOD 30A/3
MR. PERETZ 84/G
MR. P. ELWOOD 106/3
MR. D. RAMSDEN 106/3
MR. G. YOUNG 112/G



Please inform Bina Doshi (ext: 5374 - room : 31/3) if there are any changes to be made to this list.

THREE MONTH INTEREST RATES IN THE SIX MAJOR COUNTRIES

	-WORLD BASKETS-												
	-WORLD RATES-						USING				-UNCOVERED DIFFERENTIALS-		
	CANADA	FRANCE	GERMANY	ITALY	JAPAN	USA	EURO DOLLAR	USA CD RATE	EURODOL RATE	INTER BANK	WORLD BASKET	UK- USA	UK- GERMANY
1	2	3	4	5	6	7	8	9	10	11	12	13	
1987 QTR2	8.41	8.13	3.80	10.64	3.92	6.85	7.07	6.27	6.34	9.18	2.91	2.11	5.38
QTR3	8.99	7.89	3.97	12.00	4.08	6.98	7.15	6.45	6.51	9.81	3.36	2.66	5.84
QTR4	8.88	8.47	4.13	11.76	4.54	7.76	7.96	6.84	6.91	9.20	2.36	1.23	5.07
1988 QTR1	8.55	7.94	3.41	11.11	4.36	6.74	6.91	6.18	6.24	9.01	2.83	2.10	5.60
QTR2	9.05	7.81	3.62	10.91	4.49	7.25	7.41	6.37	6.42	8.34	1.97	0.93	4.72
QTR3	9.83	7.65	5.10	11.36	4.90	8.20	8.35	7.15	7.18	11.31	4.17	2.96	6.22
1987 OCT	9.20	8.19	4.79	12.13	4.80	8.21	8.48	7.13	7.22	9.93	2.81	1.45	5.14
NOV	8.63	8.61	3.95	11.58	4.34	7.39	7.55	6.67	6.73	8.97	2.30	1.42	5.02
DEC	8.89	8.56	3.70	11.63	4.47	7.76	7.96	6.75	6.82	8.75	2.00	0.79	5.05
1988 JAN	8.65	8.31	3.44	10.91	4.35	6.96	7.17	6.31	6.38	8.92	2.61	1.75	5.47
FEB	8.50	7.58	3.37	11.00	4.32	6.63	6.79	6.07	6.12	9.22	3.15	2.43	5.85
MAR	8.53	8.03	3.42	11.44	4.40	6.65	6.79	6.20	6.25	8.83	2.64	2.04	5.41
APR	8.83	8.13	3.43	10.88	4.19	6.92	7.11	6.25	6.32	8.32	2.06	1.21	4.89
MAY	8.98	7.90	3.56	10.78	4.27	7.27	7.44	6.36	6.42	8.03	1.67	0.59	4.47
JUN	9.34	7.39	3.89	11.13	4.42	7.56	7.67	6.49	6.53	8.74	2.24	1.07	4.85
JUL	9.34	7.33	4.95	11.28	4.80	7.94	8.23	6.85	6.90	10.53	3.68	2.30	5.58
AUG	9.80	7.63	5.35	11.28	4.88	8.38	8.50	7.25	7.28	11.25	4.00	2.75	5.90
SEPT	10.35	7.98	4.99	11.54	5.02	8.28	8.33	7.34	7.35	12.16	4.82	3.83	7.17
1988 JUL 11	9.35	7.25	4.95	11.12	4.72	7.90	8.06	6.82	6.87	10.22	3.40	2.16	5.27
JUL 18	9.39	7.38	5.35	11.25	4.88	8.05	8.31	6.98	7.07	11.03	4.05	2.72	5.68
JUL 25	9.40	7.38	5.00	11.38	4.78	8.12	8.75	6.94	6.98	10.72	3.78	1.97	5.72
AUG 1	9.49	7.38	5.35	11.38	4.75	8.15	8.25	7.01	7.04	10.81	3.80	2.56	5.46
AUG 8	9.66	7.38	5.25	11.25	4.83	8.20	8.37	7.00	7.01	10.91	3.91	2.54	5.66
AUG 15	9.93	7.69	5.38	11.25	4.92	8.50	8.69	7.39	7.46	11.03	3.64	2.34	5.65
AUG 22	9.90	7.75	5.40	11.25	4.95	8.55	8.62	7.43	7.45	11.41	3.98	2.79	6.01
AUG 29	10.00	7.94	5.38	11.25	4.94	8.50	8.56	7.43	7.45	12.09	4.66	3.53	6.71
SEPT 5	10.14	8.00	5.00	11.38	5.09	8.42	8.37	7.38	7.37	12.34	4.96	3.97	7.34
SEPT 12	10.32	8.10	5.00	11.63	5.01	8.24	8.37	7.35	7.40	12.13	4.78	3.76	7.13
SEPT 19	10.52	8.00	4.95	11.63	5.01	8.20	8.25	7.32	7.33	12.13	4.81	3.88	7.18
SEPT 26	10.41	7.81	5.00	11.50	4.95	8.25	8.31	7.29	7.31	12.03	4.74	3.72	7.03

Column 1. 90 DAY BANKERS ACCEPTANCES
 Column 2. 3 MONTH MONEY MARKET RATE
 Column 3. 3 MONTH INTER BANK
 Column 4. 3 MONTH INTER BANK
 Column 5. 3 MONTH CERTIFICATE OF DEPOSIT
 Column 6. 3 MONTH CERTIFICATE OF DEPOSIT IN NEW YORK
 Column 11. USA CD RATE(COLUMN 8) USED FOR WORLD BASKET
 Column 12. 3 MONTH EURODOLLAR RATE(COLUMN 7) USED FOR USA

QUARTERLY AND MONTHLY FIGURES ARE AVERAGES OF THE WEEKLY DATA
 THE WEEKLY FIGURES REPRESENT THE CLOSING VALUES FOR THAT DATE

USA INTEREST RATES

		----- THREE MONTH RATES -----			10 YEAR	
		TREASURY		EURO	COMMERCIAL	
		BILLS	CD'S	DOLLAR	BOND	
		(RUST)	NEW YORK	(REU)	MOODY AAA	
		(V2626)		(V2627)	(REB)	
	FED FUNDS				(V2625)	
	(OVERNIGHT)					
1987	QTR2	6.60	5.87	6.85	7.07	9.16
	QTR3	6.82	6.08	6.98	7.15	9.72
	QTR4	6.98	5.92	7.76	7.96	10.22
1988	QTR1	6.67	5.86	6.74	6.91	9.57
	QTR2	7.09	6.40	7.25	7.41	9.81
	QTR3	7.94	7.21	8.20	8.31	9.98
1987	SEP	7.12	6.47	7.43	7.56	10.14
	OCT	7.36	6.24	8.21	8.48	10.55
	NOV	6.81	5.74	7.39	7.55	10.05
	DEC	6.82	5.82	7.76	7.96	10.11
1988	JAN	6.82	5.92	6.96	7.17	9.97
	FEB	6.62	5.81	6.63	6.79	9.41
	MAR	6.56	5.87	6.65	6.79	9.39
	APR	6.75	6.04	6.92	7.11	9.65
	MAY	7.04	6.48	7.27	7.44	9.89
	JUN	7.50	6.65	7.56	7.67	9.87
	JUL	7.69	6.91	7.94	8.11	9.94
	AUG	8.05	7.26	8.38	8.50	10.09
	SEPT	8.09	7.46	8.28	8.33	9.91
1988	MAY 16	7.00	6.43	7.20	7.37	9.83
	MAY 23	7.12	6.48	7.35	7.50	9.97
	MAY 30	7.25	6.62	7.50	7.69	10.04
	JUN 6	7.44	6.63	7.48	7.62	9.98
	JUN 13	7.44	6.62	7.50	7.56	9.89
	JUN 20	7.56	6.57	7.62	7.75	9.86
	JUN 27	7.56	6.79	7.65	7.75	9.80
	JUL 4	7.50	6.73	7.70	7.81	9.82
	JUL 11	7.56	6.91	7.90	8.06	9.88
	JUL 18	7.81	6.90	8.05	8.31	10.00
	JUL 25	7.87	7.10	8.12	8.25	10.04
	AUG 1	7.87	7.11	8.15	8.25	10.03
	AUG 8	7.75	7.10	8.20	8.37	10.02
	AUG 15	8.37	7.27	8.50	8.69	10.15
	AUG 22	8.06	7.27	8.55	8.62	10.15
	AUG 29	8.19	7.55	8.50	8.56	10.10
	SEPT 5	8.09	7.42	8.42	8.37	10.08
	SEPT 12	8.00	7.44	8.24	8.37	9.91
	SEPT 19	8.06	7.37	8.20	8.25	9.79
	SEPT 26	8.19	7.60	8.25	8.31	9.85

QUARTLERLY AND MONTHLY FIGURES ARE AVERAGES OF THE AVAILABLE WEEKLY DATA

DOLLAR EXCHANGE RATES WITH FIVE MAJOR OECD COUNTRIES

		EFFECTIVE					
		EXCHANGE	FRANCE	GERMANY	ITALY	JAPAN	CANADA
		RATE					
1987	QTR2	101.1	6.03	1.81	1300	142.6	1.33
	QTR3	102.5	6.13	1.84	1331	150.0	1.32
	QTR4	97.0	5.75	1.71	1249	135.7	1.31
1988	QTR1	94.2	5.67	1.68	1236	128.1	1.27
	QTR2	93.5	5.78	1.71	1268	125.7	1.23
	QTR3	99.0	6.31	1.86	1383	133.6	1.22
1987	AUG	103.3	6.20	1.86	1346	147.6	1.33
	SEP	100.9	6.05	1.81	1309	143.1	1.32
	OCT	100.5	6.02	1.80	1302	143.3	1.31
	NOV	96.5	5.71	1.68	1239	135.4	1.32
	DEC	93.9	5.54	1.64	1205	128.5	1.31
1988	JAN	93.9	5.59	1.66	1218	127.9	1.29
	FEB	95.0	5.73	1.70	1249	129.2	1.27
	MAR	93.6	5.69	1.68	1240	127.1	1.25
	APR	92.7	5.68	1.67	1241	124.9	1.24
	MAY	93.0	5.73	1.69	1259	124.8	1.24
	JUN	94.8	5.93	1.76	1304	127.4	1.22
	JUL	98.1	6.22	1.85	1366	133.1	1.21
	AUG	99.5	6.39	1.89	1394	133.6	1.22
	SEPT	99.6	6.33	1.86	1389	134.0	1.23
1988	APR 4	92.7	5.66	1.67	1237	125.2	1.24
	APR 11	93.4	5.72	1.69	1251	126.5	1.24
	APR 18	92.1	5.63	1.66	1232	124.0	1.23
	APR 25	92.7	5.70	1.68	1246	124.8	1.23
	MAY 2	92.7	5.70	1.68	1248	124.7	1.23
	MAY 9	92.8	5.70	1.69	1249	124.7	1.24
	MAY 16	92.7	5.73	1.69	1254	124.9	1.24
	MAY 23	93.2	5.75	1.70	1263	124.5	1.24
	MAY 30	93.7	5.82	1.73	1283	125.1	1.23
	JUN 6	94.0	5.80	1.72	1277	126.1	1.23
	JUN 13	93.7	5.82	1.72	1282	125.1	1.22
	JUN 20	94.4	5.93	1.76	1305	126.2	1.21
	JUN 27	97.0	6.14	1.82	1349	130.8	1.21
	JUL 4	98.5	6.16	1.83	1358	135.5	1.22
	JUL 11	98.1	6.21	1.85	1367	133.0	1.21
	JUL 18	99.4	6.34	1.88	1392	134.6	1.21
	JUL 25	97.5	6.23	1.85	1362	132.0	1.21
	AUG 1	98.7	6.32	1.86	1383	132.7	1.21
	AUG 8	99.6	6.41	1.90	1403	133.8	1.21
	AUG 15	99.3	6.38	1.88	1395	133.3	1.23
	AUG 22	100.4	6.51	1.92	1403	134.0	1.23
	AUG 29	99.6	6.32	1.87	1386	134.4	1.24
	SEPT 5	99.9	6.28	1.84	1378	133.7	1.24
	SEPT 12	98.8	6.28	1.85	1379	133.4	1.24
	SEPT 19	99.5	6.37	1.87	1395	134.1	1.22
	SEPT 26	100.0	6.41	1.88	1404	134.7	1.22

STERLING EXCHANGE RATES WITH FIVE MAJOR OECD COUNTRIES

		EFFECTIVE					
		EXCHANGE	FRANCE	GERMANY	ITALY	JAPAN	USA
		RATE					
1987	QTR2	72.8	9.89	2.96	2132	234.2	1.64
	QTR3	72.7	9.92	2.97	2152	237.9	1.62
	QTR4	74.7	10.08	2.99	2188	237.8	1.76
1988	QTR1	75.1	10.18	3.01	2217	229.8	1.80
	QTR2	77.8	10.64	3.14	2335	231.7	1.84
	QTR3	75.8	10.68	3.16	2343	226.4	1.69
1987	AUG	72.4	9.89	2.96	2150	235.5	1.60
	SEP	73.0	9.97	2.99	2157	236.3	1.65
	OCT	73.2	9.99	3.00	2162	238.4	1.66
	NOV	75.0	10.12	2.98	2199	240.1	1.78
	DEC	75.8	10.12	2.99	2201	234.2	1.83
1988	JAN	75.3	10.05	2.97	2189	230.2	1.81
	FEB	74.3	10.08	2.98	2196	227.1	1.75
	MAR	75.9	10.43	3.07	2273	232.8	1.84
	APR	77.8	10.65	3.13	2329	234.8	1.88
	MAY	78.5	10.74	3.17	2357	234.0	1.88
	JUN	76.8	10.52	3.11	2314	225.7	1.77
	JUL	75.8	10.55	3.13	2319	226.4	1.69
	AUG	76.3	10.84	3.20	2371	226.7	1.70
	SEPT	75.5	10.66	3.14	2338	226.1	1.69
1988	APR 4	76.7	10.59	3.12	2313	233.9	1.88
	APR 11	78.1	10.60	3.12	2318	234.9	1.85
	APR 18	78.3	10.72	3.15	2347	236.2	1.90
	APR 25	78.3	10.68	3.14	2337	234.0	1.87
	MAY 2	78.7	10.70	3.15	2341	234.7	1.88
	MAY 9	78.4	10.72	3.16	2349	234.5	1.88
	MAY 16	77.9	10.82	3.19	2369	236.0	1.89
	MAY 23	79.0	10.75	3.18	2362	232.8	1.87
	MAY 30	78.3	10.73	3.19	2364	232.0	1.86
	JUN 6	78.2	10.46	3.09	2302	227.3	1.80
	JUN 13	76.2	10.58	3.13	2329	227.3	1.81
	JUN 20	76.8	10.58	3.14	2329	225.3	1.78
	JUN 27	76.2	10.45	3.10	2297	222.8	1.70
	JUL 4	76.2	10.37	3.08	2285	228.0	1.68
	JUL 11	75.0	10.49	3.12	2311	224.8	1.69
	JUL 18	75.1	10.59	3.14	2325	224.8	1.67
	JUL 25	76.8	10.75	3.19	2353	228.0	1.73
	AUG 1	76.4	10.84	3.21	2371	227.5	1.71
	AUG 8	76.5	10.88	3.23	2381	227.0	1.70
	AUG 15	76.5	10.93	3.22	2390	228.3	1.71
	AUG 22	76.2	10.91	3.22	2381	224.8	1.68
	AUG 29	75.8	10.66	3.14	2334	226.0	1.69
	SEPT 5	75.7	10.65	3.13	2332	229.3	1.69
	SEPT 12	75.7	10.65	3.13	2339	226.3	1.70
	SEPT 19	75.3	10.66	3.14	2340	224.3	1.68
	SEPT 26	75.2	10.68	3.14	2341	224.5	1.67

ECONOMIST COMMODITY PRICE INDICES

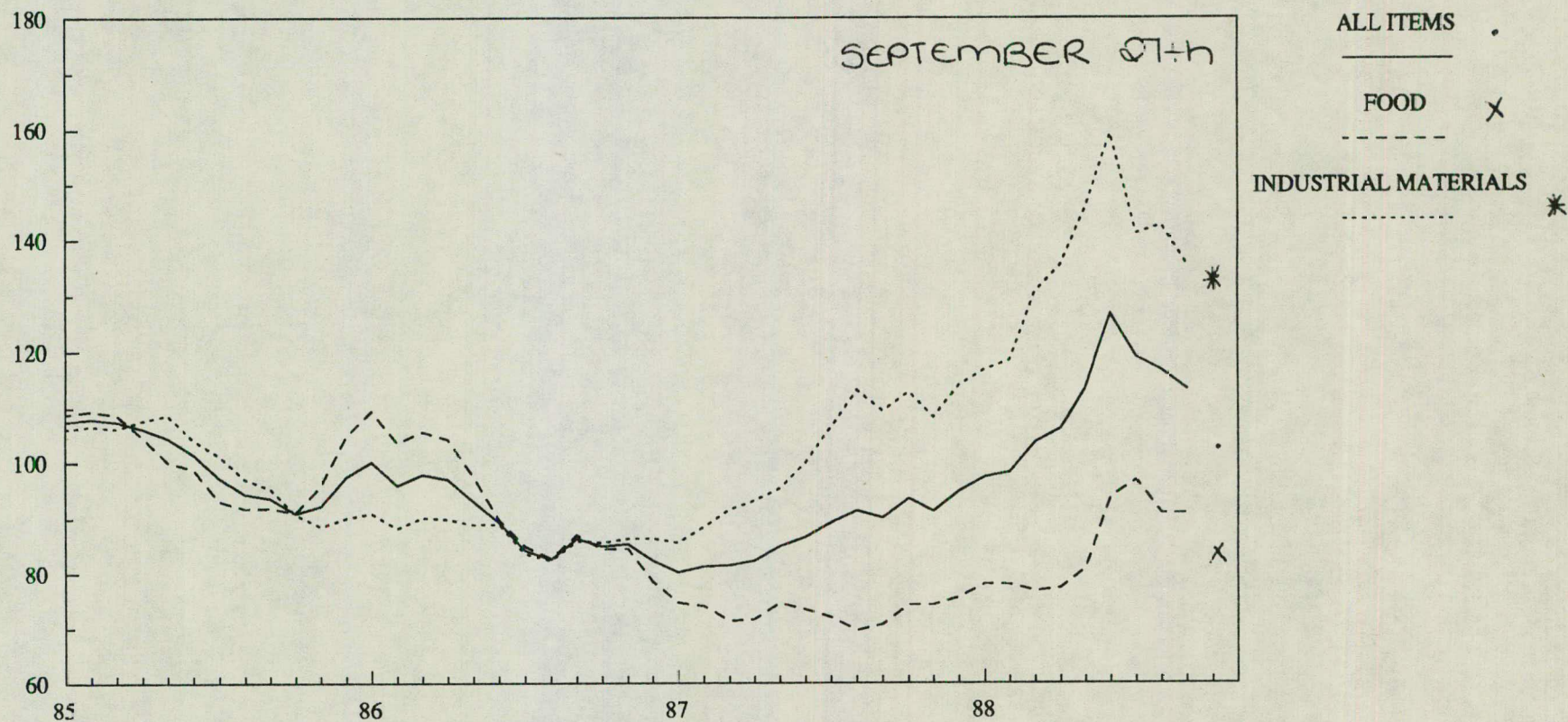
1985=100

Annual	All items indices				SDR indices		
	SDR	Dollar	Sterling	Real*	Food	Nfa**	Metals
1980	104.4	133.7	74.0	115.6	96.7	106.2	118.6
1981	99.3	115.2	73.5	105.3	93.7	104.7	106.2
1982	91.8	99.9	73.4	94.3	89.3	96.0	93.8
1983	107.2	112.7	95.7	110.4	102.0	116.6	110.1
1984	110.3	111.5	107.2	113.1	112.3	111.6	106.2
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	89.8	103.7	90.6	86.4	92.4	89.9	85.4
1987	87.4	111.5	87.1	82.2	73.0	103.3	100.6
Quarterly							
1986 Q3	84.6	100.2	86.2	81.8	85.1	85.5	83.1
Q4	84.2	100.1	89.5	80.2	82.2	91.0	82.8
1987 Q1	81.0	100.8	83.5	76.5	73.2	95.2	84.3
Q2	84.9	108.2	84.4	80.7	73.2	102.6	92.1
Q3	90.2	113.4	90.0	84.6	70.7	111.9	108.0
Q4	93.4	123.7	90.3	87.0	74.7	103.3	117.9
1988 Q1	99.8	134.6	95.9	93.9	77.6	105.5	133.4
Q2	115.5	155.7	108.8	109.1	84.0	115.1	169.1
Q3 (prov)	116.4	148.8	112.4	107.4	92.9	114.0	157.9
Monthly							
August	91.4	114.2	91.8		69.6	115.0	111.7
September	90.1	114.5	89.3		70.7	111.4	107.9
October	93.5	119.3	92.3		74.2	106.8	117.0
November	91.3	121.3	88.1		74.2	101.4	113.3
December	94.8	129.1	90.5		75.6	102.1	122.4
January	97.4	132.2	94.1		78.1	102.7	126.6
February	98.2	131.2	95.6		78.0	106.5	126.7
March	103.8	140.3	98.0		76.8	107.3	157.0
April	106.4	144.9	99.1		77.3	110.5	152.8
May	113.4	153.8	105.7		80.9	114.1	168.2
June	126.7	168.4	121.6		93.9	120.8	186.4
July	119.1	152.9	115.1		96.9	117.7	157.6
August	116.9	148.9	112.5		91.0	113.5	163.1
September (prov)	113.3	144.5	109.5		90.9	110.9	152.9
Weekly							
August 9	117.4	149.4	113.5		92.8	114.9	160.9
16	117.2	149.5	111.5		91.4	115.0	162.4
23	118.4	149.8	114.4		90.2	111.6	171.0
30	117.8	150.1	113.8		90.8	111.4	168.1
Sept 6	116.5	148.8	112.0		93.1	112.1	159.2
13	114.9	147.2	111.2		92.1	112.1	155.4
20	112.0	142.9	108.6		89.3	110.0	152.1
27 (prov)	109.6	139.2	106.3		89.0	109.3	144.8
% ch. on one yr	+18.7	+19.7	+16.1		+23.6	+0.8	+25.5

* In relation to prices of manufactured exports. Recent figures are estimated.
 ** Non-food agriculturals.

ECONOMIST SDR COMMODITY PRICE INDICES

1985 = 100



S E C R E T

MP

From : D L C Peretz
Date : 30 September 1988

ECONOMIC SECRETARY

cc Chancellor
Sir P Middleton
Sir T Burns
Sir G Littler o/r
Mr Lankester
Mr Scholar
Miss O'Mara
Mr Grice
Mr Williams
Mr Cropper

ECU TREASURY BILLS : FIRST TENDER

We need to announce the details and size of the 11 October ecu bill tender on Tuesday 4 October.

2. The attached letter from Ian Plenderleith sets out the Bank's proposals, with which I agree. The main points are :

- announcement at 2.30 on Tuesday 4 October *- Same day as BP/10/10.*
- size of issue : ecu 800m - 1 billion, divided 1 : 2 : 1 between 1 month, 3 month and six month bills
- target highest accepted yield, 10-20 basis points below LIBID.

3. It will be quite convenient to have the announcement on the same day as the September reserves press notice. Commentators will be able to write about the two events together.

4. The key question is about size of tender/target yield. I accept the Bank's general approach : we should not be trying at the first tender, by restricting its size, to get the very keenest terms. Bills would then be likely to be locked away by a handful of central banks, inhibiting the development of a secondary market; and we would find the terms at subsequent tenders began

to deteriorate. We want to get a healthy market going that we can continue to tap in future.

5. I also accept the argument that it is better if anything to err a little on the high side in the size of the first tender, since the Bank can always hold bills back for perfectly explicable reasons. 800m - 1 billion may seem a little high against a target initial total size of the programme of 1-2 billion; but subsequent monthly tenders will be smaller than the first one, and partly used to refinance maturing bills.

6. I think the Bank may be being just a little unambitious in their target of 10-20 basis points under LIBID. Although it is a different market, we usually do rather better (up to 50 basis points below LIBID) in sterling Treasury bills. I would certainly wish to discourage them from accepting bids at yields above 15 basis points below LIBID. But the only point to be announced on Tuesday is the size of the tender, and I recommend you give authority for a figure (to be decided at the last minute) in the range ecu 800m - 1 billion.

DLC

D L C PERETZ

SECRET

IAN PLENDERLEITH
ASSISTANT DIRECTOR
HEAD OF GILT-EDGED DIVISION
01-601 4491

BANK OF ENGLAND
LONDON EC2R 8AH

30 September 1988

D L C Peretz Esq
HM Treasury
Parliament Street
London
SW1P 3AG

Dear David,

UK GOVERNMENT ECU TREASURY BILLS: AMOUNTS AND MATURITIES FOR THE FIRST TENDER

1 The first tender is to be held on Tuesday 11 October. Under the terms of the Information Memorandum, we have to announce the amounts and maturities of the Bills to be offered at least four business days in advance of the tender date, by publication in the FT and on Reuters and Telerate.

Timing

2 This means that the announcement must appear in the FT on Wednesday 5 October at the latest; and since we could not sensibly give such market sensitive details to the FT the previous evening without first having announced them publicly, the effective deadline is Tuesday 4 October. We see no reason to bring the announcement forward before that date, and we therefore propose that the announcement be made at 2.30 pm on Tuesday 4 October.

3 That is also the day of the monthly reserves announcement; but in terms of presentation in the next day's papers, the two announcements complement each other quite well and there seems no reason deliberately to separate them. It may also be that the DTI will be making an announcement on BP/KIO that day, but we do not see that that necessitates bringing forward the ECU Bill announcement.

Maturities

4 We have had several rounds of discussions with the market makers, both en bloc and individually, to get feedback from them on the developing interest they see in the Bills. The picture that emerges so far is that there is evidence of interest in Bills at all three maturities - one, three and six months - but with greater interest in 3-month Bills than for the other two maturities. The reason for this is that the market perceives somewhat greater interest-rate risk in the 6-month Bills than in the 3-month area; and 1-month Bills are felt likely to attract rather less demand than the other maturities from investors who may be reluctant to bid outright in the first tender but come into the market thereafter, because by then the 1-month Bills will be relatively close to maturity.

5 Given this background, we think it sensible to take the opportunity to test the water in all three areas at the outset, and we therefore propose that we should offer Bills at all three maturities. But reflecting the expected pattern of demand indicated above, we would propose a larger offering at three months than at the other two maturities.

Amounts

6 The broad consensus that we get from our soundings to date is that the Bills are expected to trade at around LIBID minus 1/18th per cent, but that there will be some investors - eg some central banks - who may be prepared to pay a higher price (take a lower yield) for the advantage of a prime sovereign name. However, there is also a general feeling that many investors may hang back from the initial tender because of the difficulty of deciding at

what price to bid in the absence of any secondary market indications; such investors are expected instead to look to buy Bills from the market makers in the secondary market once a price level has been established.

7 Against this background we think that the ideal outcome for HMG in terms of developing broad interest in the programme over a period of time would be a tender result in which the stop-rate (highest accepted yield) was around LIBID minus 10-20 bp. An outcome on these lines would be likely to generate additional demand in the secondary market as the price became established, possibly taking the Bills to a small premium over the initial tender price and thus encouraging continuing demand from a wider range of investors both in the secondary market and at future tenders. The alternative strategy of aiming to satisfy only the smaller pool of investors prepared to bid up at tighter yields would have the disadvantage of confining the Bills to a much narrower range of investors with little secondary market activity, which we think would be counter-productive to our longer run aim of developing the market.

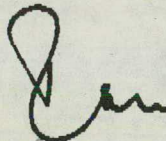
8 If we take the broader market strategy suggested above, we think that, on the indications we have so far, we would need to offer somewhat more than the ECU 500 million indicated at the time of the Chancellor's first announcement. We think that the appropriate amount would be in the range of ECU 800-1,000 million, and we would like to reserve making a final recommendation within that range until Monday of next week, 3 October. In terms of specific maturities, we would propose that half of the total should be offered at three months, with the remainder split equally between the other two maturities. Thus we would propose either 800, split into 200 at 1 month/400 at 3 months/200 at 6 months, or 1,000 split 250/500/250.

9 An offering on these lines would, we think, give us the best chance of achieving our preferred outcome above, and should attract sizeable demand from market makers positioning themselves to supply investors who want the paper but may be hesitant about bidding at the first tender. In suggesting the increased amount, we recognise the downside risk that demand could prove less than

expected. In that event we would plan to under-allot at the tender, taking Bills ourselves, so that we would then be in a position to sell into the secondary market to satisfy subsequent demand. Provided we did not have to take paper on an excessive scale, we think that under-allotting in this way would not convey any sense of failure, but on the contrary would be seen to be positively helpful to the development of broader interest in the programme; we would of course take steps to get this message across. At the other extreme, there is always the risk that demand may so exceed expectations that we are able to allot only the highest bids; that, as indicated above, is not our preferred approach, but it is of course an outcome that we could live with with equanimity if it happened.

10 If you are content with these proposals, it would be helpful if you could seek contingent authority for us to announce next Tuesday on the basis suggested above, subject to a final decision on the amounts after the weekend. If you have any questions, please do not hesitate to be in touch.

Yours ever,



pay

DRAFT

ADVANCE COPY

FROM: A J SHARPLES
DATE: 30 September 1988

1. MR ILETT
2. APS/ECONOMIC SECRETARY

- cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
Sir Peter Middleton
Mr Anson
Mr Scholar
Mr Burgner
Mrs Lomax
Mr Peretz
Miss Noble
Miss Wheldon - T.Sol

NOTES

*PPS - cc Sir P. Middleton
Mrs Lomax*

You may like to see this tonight even though it has not finally been cleared with the DTI and the Treasury Solicitor. It is background to Monday's Barlow Clowes meeting, and shows that the Financial Services Act provides more safeguards than the old regime. N.T.

RESTRICTIONS ON OVERSEAS INVESTMENT BUSINESSES

You asked for information on the restrictions on overseas investment firms seeking to do business in the UK. (Minute to PS/Chancellor 9 August). This arose from discussions on Barlow Clowes in which questions were raised about the protection available to UK investors against approaches from unregulated overseas companies such as Barlow Clowes International (BCI).

2. This minute explains the current rules under the Financial Services Act (FSA), and highlights changes made from the earlier Prevention of Fraud (Investments) Act (PF(I)A) regime. It does not consider in any detail the position of BCI under that regime or whether rules were broken in this particular case.

Summary

3. The broad position under the FSA is that overseas firms must seek authorisation to do investment business in the UK. An overseas firm which is authorised is bound by exactly the same rules as a UK firm regarding advertising, cold calling etc. An

30/88

overseas firm which is not authorised can only do business with UK residents through a UK authorised intermediary, with unsolicited clients who approach the firm directly, or with professional and business investors. Under the PF(I)A regime a license was required to deal in securities in the UK, and it was an offence fraudulently to induce an investment, but the scope of the Act was more limited, there was no statutory right to sue intermediaries and no compensation scheme. Overseas firms were required to apply for licences but there was room for argument about what constituted 'dealing in securities'. Inevitably the full story is more complicated. Details are set out below.

Authorisation

4. The first distinction to draw is between overseas firms which are authorised to do investment business in the UK and those which are not. The basic principle of the FSA is that it is a criminal offence to carry on investment business in the UK unless 'authorised' or 'exempted' (S.3).

5. There are a number of routes to authorisation, the main ones being authorisation by SIB or membership of a SRO. The procedures which an overseas firm must follow in seeking authorisation will depend on its circumstances. A UK subsidiary of an overseas firm must apply as if it were a UK firm. A UK branch of an overseas firm may take a short cut to authorisation if it can provide evidence that it has been authorised by a supervisor in its home country with which the SIB has negotiated a 'lead regulation arrangement'. (Such arrangements have now been concluded on

securities business with all relevant countries and on banking business with some half dozen major countries). An overseas firm without an office of the UK (known in the Act as an 'overseas person') can also apply for authorisation. Where business of a branch or 'overseas person' is regarded as high risk the SRO may require incorporation in the UK as a condition of authorisation.

6. There is also provision in the FSA for businesses established in other EC member states, where there is investor protection equivalent to our own, to be authorised by their home countries to do business in the UK on a 'services' basis - that is, without having an office here. A firm would require the approval of the SIB to follow this route.

Rules for businesses which are Authorised

7. A firm - whether UK based or overseas - which is authorised to do investment business in the UK must do so within the terms of the Act and the rules laid down by the body which has given authorisation. In particular it must adhere to conduct of business rules which include detailed rules on advertising and cold calling. No distinction is drawn in the rules between authorised firms which are UK based, overseas firms with UK offices, or overseas persons.

8. Advertisements must also conform to the general requirements of the Misleading Advertisements Regulations and (voluntary) codes set down by the Advertising Standards Authority and the Independent Broadcasting Authority (for TV and Radio adverts).

Businesses which are not Authorised

9. An overseas firm which is not authorised to do business in the UK can only conduct or solicit investment business with UK residents in certain limited circumstances. (Such firms are governed by the 'overseas persons' regime set out in Part IV of Schedule 1 of the Act).

An unauthorised overseas firm may:

i. deal in investments in the UK (ie buy, sell etc) or arrange deals in investments with or through an authorised or exempt person in the UK, such as an authorised intermediary.

ii. do business which has not been solicited in any way. For example a UK resident may hear about an investment opportunity overseas through foreign newspapers or other sources and may contact the firm directly.

iii. solicit business if it can do so without breaking the law on advertising and cold calling (set out in Sections 56 and 57 of the FSA). There are broadly three ways it can do this. The first is by placing an advertisement which has been approved by an authorised person. SIB rules (rule 7.04) only allow such advertisements to be approved when they are 'image' or 'short form' advertisements within strict definitions, or where they are advertising regulated collective investment schemes or insurance business which has

been approved through some other channel. The second exception is for advertising to professional and business clients who are considered to be 'sufficiently expert to understand the risks involved'. The third is for advertising to people who have been clients of the firm while living outside the UK and are now only temporarily resident in the UK. (The latter exceptions are set out in SI 1988 No.316)

What does this mean in practice?

10. A good way of testing the practical application of these rules is to consider a number of possible cases.

a. What is there to stop a UK authorised intermediary putting clients' money into a dodgy unauthorised overseas firm? The intermediary is bound by the conduct of business rules of the SRO by which it is authorised (probably FIMBRA). These rules must match those laid down by the SIB, which inter alia require the firm to warn investors before placing money with an unauthorised or overseas firm that, by doing so, they will lose the protection of the Act (Rule 2.18). The intermediary is also required to give 'best advice'^{and} to consider the suitability of any investment for the investor concerned. High risk overseas investments could fall foul of both these provisions. A firm which breaks the rules can be sued (under Section 62 of the Act).

b. What happens if an unauthorised overseas firm just ignore, all the rules and sends mailings to potential UK

investors? It happens. For example in August this year a futures and commodities firm based in Ireland (Vandersteen Associates) sent marketing brochures to some 5,000 prospective UK clients. At present there is little that can be done to stop this, although the FSA provides that contracts made by investors with firms operating outside the Act are unenforceable. The SIB is seeking mutual assistance agreements with overseas regulators to allow such firms to be dealt with, but only where they are in breach of the home country's regulations.

c. What is there to stop an unauthorised overseas firm persuading a UK authorised intermediary to approve an advertisement designed to solicit business? The law allows this, but the SIB rules impose strict limits on what such an advertisement can say. One form allowed is an 'image' advertisement which can only promote public awareness of a firm, describe its services, commend the firm but not the services and offer to supply further information. The second form allowed is a 'short form advertisement' which allows details of the firm's address and phone number and names of investments. (This is primarily intended to cover 'tombstones' recording issues which have already been made). These rules would not allow any material in advertisement designed to promote investments and investors would have to seek further information from an overseas address in response to such an advertisement.

The PF(I)A Regime

11. The Prevention of Fraud (Investments) Act 1958 made it a criminal offence to deal in securities without a license from the DTI. The Act was in force until the FSA came into operation at the end of April of this year. Licensed dealers were bound by statutory conduct of business rules which included restrictions on advertising and cold calling. Additional provisions in the Act (Sections 13 and 14) made it an offence fraudulently to induce people to invest money, and to distribute circulars which might invite people to do so. Overseas firms wishing to do business in the UK were covered by these provisions. But the whole PF(I)Act system had become inadequate and the enforcement ^{powers} paras and machinery were insufficient.

12. The FSA has strengthened the PF(I)A regime in a number of respects. The procedures for authorisation have been clarified and transferred from the DTI to the SIB, SROs and other bodies. The coverage has been widened through a comprehensive definition of investment business. The conduct of business rules have been greatly extended and clarified. And a variety of other protections for investors have been introduced including a compensation fund.

Assessment

13. The new regime provided by the FSA and associated rule books provides a substantial improvement in investor protection; clarifies what can and cannot be done by unauthorised overseas

firms; and sets out the responsibilities of intermediaries. It does not eliminate investments by UK residents with unauthorised overseas firms, nor is it designed to. But it does help to ensure that UK residents who do put their money overseas know what they are doing and understand the risks they are taking. It would be surprising if the present rules prove watertight at the first attempt and it would be wise for the DTI to monitor the impact of the rules, and the effectiveness of the overseas persons regime in particular, in conjunction with the SIB.

A J SHARPLES

MP

From : D L C Peretz
Date : 3 October 1988

PS/ECONOMIC SECRETARY

cc PPS
Sir P Middleton
Sir T Burns
Sir G Littler o/r
Mr Lankester
Mr Scholar
Miss O'Mara
Mr Grice
Mr Gieve
Mr Williams
Mr Cropper**ECU TREASURY BILLS : FIRST TENDER**

Following the Economic Secretary's agreement to the proposals in my minute of 30 September, we have now fixed a precise figure for the size of the 11 October tender (to be announced at 2.30 tomorrow) : ecu 900 million.

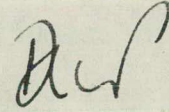
2. This will be divided 200 million : 500 million : 200 million between 1 month, 3 month and 6 month bills.

3. The amount is in the middle of the range the Bank proposed, and represents some natural caution on their part. They are, I think, fairly confident of achieving a highest accepted bid yield of 15 basis points or more below LIBID.

4. Most press questions are likely to be on points that should be referred to the Bank of England's press office, and I should be grateful if IDT could liaise with them. The size of the issue is larger than the earlier indication of ecu 500 billion. The Bank will be saying that they were able to raise the amount in view of the substantial indications of interest they have had from investors; but that this does not necessarily imply that the programme will eventually settle at anything larger than the ecu 1 billion-2 billion range. It is natural for the opening auction to be for a larger amount, to meet pent up demand, than subsequent auctions (which will in part be replacing maturing

S E C R E T

bills). If anyone is concerned that 900 million ecu is an odd amount, we can point out that it is roughly equivalent to \$1 billion.



D L C PERETZ

✓
MP

FOREIGN EXCHANGE MARKETS

MG EVENING REPORT

Monday 3 October 1988

Previous close		Today		%change \$/currency		
		opening 8.30am	close 4.00pm	since Plaza	since Paris	since 16 October 1987
75.9	£ERI	75.9	75.9	-7.4	9.8	3.1
1.6860	\$/£	1.6930	1.696	23.4	11.0	1.9
3.1692	DM/£	3.1642	3.1608	-19.0	13.2	5.5
1.5270	ECU/£	1.5247	1.5241			
99.6	\$ERI	-	99	-29.1	-4.8	-1.2
1.8797	DM/\$	1.8690	1.8637	52.4	-2.0	-3.4
134.57	Yen/\$	133.90	133.62	78.5	14.9	6.9

Oct \$11.90 Nov \$12.10 Dec \$12.25 Spot Brent Oct \$11.50 Nov \$11.70 Dec \$11.85

UK RESERVE TRANSACTIONS (\$million)

(a)	Today	This month so far	Total since 1 Apr 88	(b)	Estimated end-month position *
	32	32	3921	Market intervention	172
	-34	-34	-1178	Off-market transactions	820
	-2	-2	2743	TOTAL	992
				Net borrowing	-1716
				Valuation changes(EMCF swap) (not yet known)	0
				TOTAL CHANGE IN RESERVES	-724

(a) Spot and forward transactions on a done date basis.

(b) Spot transactions only on a value date basis, as in published figures.

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium -	Germany -	Italy +43DM
Denmark -	Holland -	Japan -
France -	Ireland -	US -
		Canada +208\$

MARKET COMMENT The dollar traded quietly for most of the day although there was a nervous undertone on oil price fears with October Brent falling to \$11.60 at one point. US construction and factory indicators had little effect. But a comment by Pohl in a Press interview that it was undesirable for the deutschemark to weaken further saw the dollar ease back to close 1/2 pfennig down on the day. Sterling remained firm during the day in spite of the weakening in the oil price although later on easing back in cross rate terms as the dollar weakened against the deutschemark.

Rates at 5:20pm. \$1.6984 DM3.1607 DM/\$1.8610 Yen/133.64

Tambler

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.81	7.8125	-0.0025
Hang Seng Index	2441.05	2429.07	-11.98
3 month interbank rate	8 7/16%	8 2/8%	-3/16%

Terry Smeeton

NAME: I.C.Polin
TEL NO: 270-5556

MONEY MARKETS

Monday 3rd October 1988

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	11 3/4	-1/8	8 3/16	-1/16
1 mth	11 13/16	0	8 3/16	-1/8
3 mth	11 15/16	0	8 1/2	-1/8
12 mth	11 11/16	-1/16	8 13/16	-1/16

BILLS

	Today	Change
3 Month Treasury Bills	11 1/2	-
	11 3/8	0

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			11 7/8-5/8
Band 2 (15-31 days)			11 11/16-5/8
Band 3 (32-63 days)			11 21/32-5/8
Band 4 (64-91 days)			11 19/32-9/16
TOTAL BILLS	0		
Repurchase	80	4th October at 11 3/4-7/8%	
Lending			
TOTAL OPERATIONS	80	against surplus £ 100 m	

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.35	-0.05	8.87	-0.07	8.97	-0.08

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1455.8	-20.7	1802.6	-23.9	87.97	0.00

MARKET COMMENT

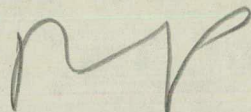
GILTS after Friday's late rise gilts had a quiet day. Shorts opened unchanged, mediums 1/16 firmer and longs 1/8. By the close shorts were down 1/16, mediums and longs 1/8.

INDEX-LINKED those issues that changed gained 1/8.

EQUITIES opened the new Account on a weak note but, after a partial recovery fell back further on news that consumer credit rose by 4.8 billion in August. At 5pm Wall Street opened down 24 points.

Carl Davey

NAME: Carl Davey
TEL NO: 270 4613



FROM: N P WILLIAMS
DATE: 3 October 1988

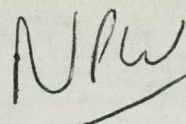
1. MISS O'MARA *mom 3/10*
2. ECONOMIC SECRETARY

cc Chancellor 12/2
Sir G Littler
Mr Lankester
Mr Scholar
Mr Peretz
Mr Gieve
Mr Nelson

ECU TREASURY BILLS: FIRST TENDER

You may like to see for information the notice of the first tender of UK Government ECU Treasury Bills which will appear in Wednesday's FT.

2. The arrangements for the tender will be familiar to you from the draft of the Bank's Information Memorandum attached to my minute of 9 September. The notice will include details of the size of the tender on which Mr Peretz minuted you on 30 September.



N P WILLIAMS

TENDER NOTICE**UK GOVERNMENT
ECU TREASURY BILLS**

For tender on 11 October 1988

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU ● million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 11 October 1988.

2. The Bills will be issued in the following maturities:

ECU ● million for maturity on ●

ECU ● million for maturity on ●

ECU ● million for maturity on ●

Bills will be dated 13 October 1988.

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London EC2 not later than 10.30 a.m., London time, on Tuesday, 11 October 1988. Payment for Bills allotted will be due on Thursday, 13 October 1988.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in those systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 13 October provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill Programme issued by the Bank of England on behalf of Her Majesty's Treasury on 14 September 1988. All tenders will be subject to the provisions of that Information Memorandum, copies of which may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England

4 October 1988

mp



FROM: S M A JAMES
DATE: 3 October 1988

MR PERETZ

cc PS/Chancellor
Sir P Middleton
Sir T Burns
Sir G Littler
Mr Lankster
Mr Scholar
Miss O Mara
Mr Grice
Mr Williams
Mr Cropper

ECU TREASURY BILLS: FIRST TENDER

The Economic Secretary was grateful for your minute of 30 September. As I mentioned to you over the phone, the Economic Secretary is content for an announcement to be made on 4 October of a tender in the range of ecu 800m - 1 billion (with the final figure to be decided at the last minute).

psj

S M A JAMES
Private Secretary