

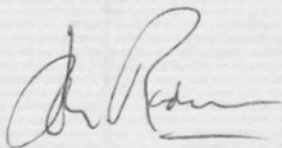
NSBAM
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May Days in the Gilt Market

There are three options for proceeding:

1. Cut Public Expenditure. The PSBR has been too high. Cutting it would restore confidence in the counter-inflation strategy.
2. Raise Interest Rates far enough and recommence funding. The Duke of York would then be restored with a vengeance.
3. Do Nothing. Await the Fed's support for US banks to calm US markets down. Sell any type of stock as and when, issuing tranches of existing gilts to avoid clumsiness.

1 is the best, but the most difficult politically. 3 is the next best, with a review at the end of next week. 2 gives all the market bears good profits, and reinforces people's cynicism about Government strategy.



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