

File

24 January 1985

MR TURNBULLFUNDING MEETING

I attended the Funding Meeting yesterday.

The balance of the long tap has been sold, taking the total of sales for banking February to £1,000 million already.

Index-linked gilts have been in strong demand.

It was agreed that:

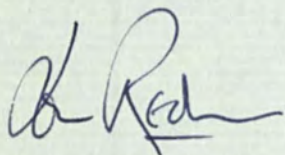
1. The policy would be to sell as much as possible, up to £1.5 billion in banking February, and even further sales of stock with calls in banking March.
2. On Friday, tranches of index-linked stocks will be issued if the indexed market is still strong.
3. Issue tranches of conventional stocks at the same time, or a new short tap.
4. New National Savings rates will be set: 12.75% for the Income and Deposit Bonds; 12.25% for Invac; and 8.85% tax-free for a new National Savings Certificate. This compares with current rates of 12%, 11.25% and 8%.



SECRET

There was a discussion on the value and hazards of intervention in the currency market. It was pointed out that intervention had stemmed the decline in the pound, and occasionally the rise of the dollar. The market had hesitated to go on selling sterling and DMs because it was afraid it could now lose money; but remained to be convinced, as it was not sure that the Americans would put very much weight of cash behind intervention.

There was general welcome that short selling was no longer a sure-fire way of making money. I argued that sterling now required a series of better money supply figures, and reassurance that public expenditure was under control. These two things could only come as the figures improved and active funding was essential.



JOHN REDWOOD

SECRET - 2 -