

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR

The markets will of course be the main subject for discussion. It is in many ways quite surprising that sterling has moved down with the dollar. There seems no apparent reason for that. But equally it would surely be quite wrong at present to respond by an increase in interest rates.

You could also mention to the Chancellor your bilateral with Mr Baker. There is a meeting arranged after the Party Conference for you to discuss with him and Mr Baker a paper about his proposals.

DRW

David Norgrove

19 September 1986

At 1640 sterling was

£1.4590

at 2.96 1/2

down from the opening today.

3 month interest rates were just over 10 1/4 %.

At 1600 the stock exchange was up 15 points and Wall Street has opened strongly.

DRW
22/9