

RA

PRIME MINISTER

OVERNIGHT MARKET REPORT

I gather there was a further intervention of about \$300 million overnight in New York, all in DM. This brings total intervention in the last two days to about \$1 billion.

At the opening in London this morning sterling is still close to DM3, although at the moment (0840) there is marginal headroom.*

I gather from the Chancellor's Office that he feels strongly he cannot make an exchange rate policy change so near to the Budget. He is of course in a trap entirely of his own making, but it is true that if sterling was allowed to rise above DM3 it would be interpreted as a substantial policy shift.

The case for your talking to the Chancellor today is perhaps finely balanced. I gather he plans to be around until about 2pm. Do you want us to arrange a talk for around lunchtime when you have the NATO statement out of the way?

* now disappeared!

Yes
mt.

REC6.

Paul Gray

4 March 1988