

SUBJECT
COMASTER



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1 October 1986

From the Private Secretary

THE MARKETS

The Prime Minister this morning held a third meeting to discuss the markets. Present were the Economic Secretary, Sir Peter Middleton and Mr Frank Cassell (HM Treasury), the Deputy Governor of the Bank of England and Mr Eddie George (Bank of England).

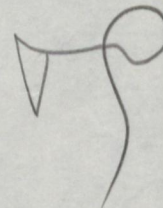
It was agreed that the swap with the Bundesbank had substantially helped market sentiment. It would be useful to put an agreement of that kind in place earlier in any future period of pressure.

It was also agreed that the Bank of England should be authorised to intervene to the extent of a further \$50m. on top of the balance remaining from amounts authorised previously.

It was recognised that the possibility of an increase in interest rates in the next few weeks could not be ruled out. Indeed an increase might now be justified by loose financial conditions. This would have to be further considered.

I am copying this letter to John Footman (Bank of England).

David Norgrove



Tony Kuczys Esq
HM Treasury.