

PRIME MINISTER

MARKETS

The Bank remain very concerned about the scale of intervention. They would like to see a further reduction in interest rates and a decision to allow the exchange rate to float more freely.

The Chancellor remains more cautious, but has not ruled out a further cut in interest rates next week. He would of course be reluctant to permit this, particularly ahead of the money figures to be published on Wednesday. He will be holding a meeting with the Bank early on Monday morning.

N.L.W.

for (D.R. NORGROVE)

14 May 1987