

PRIME MINISTER

MARKETS

You will see from today's report that the Bank have supported sterling to the extent of \$100 million in the last 24 hours or so. I questioned the Treasury about this, and in particular whether such intervention represented good value for money. The Treasury response was that the intervention was designed to reassure the gilts market as much as to stabilise the foreign exchange markets. In view of the large swings in the gilts market in the last day or so there may well be something in this. But it would be a matter for concern if intervention on this scale were to continue.

Sterling has strengthened little since the London close and at 1900 stood at \$1.60 and DM 2.9375.

DNS

DAVID NORGROVE

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SLHAJS