

PRIME MINISTER

MARKET REPORT: 11 JANUARY

You will see from the attached evening report that there was some co-ordinated Central Bank intervention today, to which the Bank of England contributed \$25 million. This was a switch transaction acquiring Dollars for Deutschmarks.

I have tackled the Treasury about this. They stressed that this was a switch, not a net addition to the Reserves; and that it was necessary in order to fulfil the commitments entered into with the other countries last year. Within that context, the Chancellor had apparently authorised a switch of up to \$25 million. I have told his office that, since the Bank have now used up the existing authority he had issued, I was sure you would want him to consult you before authorising any further transactions of this sort. You might want to touch on this at your bilateral with the Chancellor on 13 January.

*Acquiring more dollars!?*

*Reeg.*

Paul Gray

11 January 1988