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PRIME MINISTER

BILATERAL WITH THE CHANCELLOR: 22 FEBRUARY

We have allowed an hour in the diary for your bilateral with the Chancellor tomorrow so that you can have a full discussion with him on his latest Budget proposals. Relevant papers are in the folder below.

You may also want to have a short exchange on the position in the markets. After the small set-back last week the equity market has bucked up again this week. But the main feature today has been some weakness in sterling this afternoon; we have gone down with the dollar and at one point were under DM 3.22. You might like to check with the Chancellor that he will not hesitate quickly to authorise intervention if we have further bouts of sterling weakness.

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Recg.

PAUL GRAY

21 February 1989

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