

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR: 26 JULY

You have your weekly bilateral with the Chancellor after lunch tomorrow.

Following a discussion with the Chancellor's office, I suggest the following main items for the agenda:

i. Markets

The markets have been very calm over the last week (today's market report is at Flag A). By the time you see the Chancellor tomorrow the Trade Figures will have been published, and you will be able to take stock of any reaction to them. As background you may like to glance at Alan Walters' note (Flag B) setting out his assessment of the prospects for monetary conditions over the next couple of months (Alan returns to Washington tomorrow, and is not due back until late September).

ii. Junk Bonds

You saw over the weekend Alan's note on Junk Bonds at Flag C. I warned the Chancellor's office you may wish to raise the possibility of a review in this area.

iii. Hong Kong

I gather the Chancellor is toying with the idea of suggesting that, when the United Kingdom is due to host the Economic Summit in 1991, it will be a very good signal to hold the meetings in Hong Kong. He may mention this tomorrow.

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Duty Clerk
P. GRAY

25 JULY 1989

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