PRIME MINISTER

FINANCIAL MARKETS

CF-pe perc

Following a rocky day or so earlier in the week, the Foreign Exchange markets have settled down in the second half of the week. I attach Thursday's evening report, showing that the sterling effective rate has steadied at just under 91. The Friday evening report is not yet available (we will send it in Saturday's box), but sterling has again been steady during the day.

Meantime, the UK Equity Market, which dropped quite sharply on Wednesday, has now had two days of renewed increase on Thursday and Friday.

fle.

C.

P. GRAY

8 SEPTEMBER 1989

MRMAOJ

			MG EVE	INING REPORT		
	MARKETS			me	Thursday 7 Sept %change \$/currency	ember 1989
Previous		To	day	since	since	since 16
close		opening 8.30am	close 4.00pm	Plaza	Paris	October 198
90.9	£ERI	90.7	90.9	-12.9	6.2	-0.7
1.5502	\$/£	1.5415	1.5447	13.0	1.1	-7.2
3.0666	DM/£	3.0640	3.0689	-21.4	9.9	
1.4770	ECU/£	1.4758	1.4782	-21.4	9.9	2.4
72.3	\$ERI		72.6	-26.5	0.0	4.3
1.9782	DM/\$	1.9877	1.9867	-30.4		4.3
146.47	Yen/\$	146.90	147.07	-38.9	8.8	10.3
74.04	Yen/DM	73.90	74.03	-30.9	-4.2	3.1
Sept \$17.87 Oct	The state of the s			Sept \$17.80 Oct \$	17.70 Nov \$17.	50

UK RESERVE TRANSACTIONS (\$million)

(a)	++		+	(b)	+
	Today	This month so far	Total since Apr 89		Estimated * end-month position
*	10	-30	-4895	Market intervention	-20
	8	52	672	Off-market transactions	-143
	18	22	-4223	TOTAL	-163
* exclu	ding -25\$ ags	t DM	+======+	Net borrowing	-27
	t and forward		ions	Valuation changes	1 01

(b) Spot transactions only on a value date basis, as in published figures.

On conventional assumption of no further market intervention.

-190 |

OTHER COUNTRIES MARKET INTERVENTION (\$million equivalent)

Belgium	-15\$	agst	DM	Germany	-50\$			Italy	+75DM,-20\$agst DM
Denmark	-10\$	agst	DM	Holland	-10\$	agst	DM	Japan	-200\$
	-20\$ gstECU , Aust	1,-13\$	S. Sp -15\$agstY.Port	Ireland -10\$agstDM,	- +17\$,	Swed	-10\$agstDM,-	US 10\$agstY.	-50\$ agst DM -50\$ agst Yen

TOTAL CHANGE IN RESERVES

MARKET COMMENT

Although weakening a little in New York, the dollar moved up this morning to just below DM1.99 in early trading after wire service report quoted Fed. official as saying that dollar's recent rise would not worsen trade deficit. Following Bundesbank mid-day announcement of no change in German interest rates, dollar rose to highs of DM1.9927 and Yen147.3 before easing on concerted intervention and profit taking.

Sterling has been side-lined for most of the day, trading steadily against the DM with some demand from Europe. After seeing a low of \$1.5390 against strengthening dollar sterling regained lost ground as dollar slipped back after concerted intervention.

Rates at 5:37 pm. \$1.5447 DM3.0716 DM/\$1.9885 Yen/\$147.09 Yen/DM73.97.

NAME: B.Nelson TEL NO: 270-5558

SECRET

Michael Foot on duty

INTEREST RATES						
	£ Inte	erbank		Eurodol	lar	
	Today	Change	Today		Chang	е
7 days	13 15/16	0	8 7/8	3	0	Teb.
1 mth	14	0	8 15/	16	0	
3 mth	14 1/32	1/64	8 15/	16	0	
12 mth	13 3/4	0	8 7/8		0	
ILLS +-		*	+			
		Tod	ay		Change	
3 Mont	h Treasury Bills	13 9/16	- 13 7/1	6	0	
BANK MONEY MARKET OPE	RATIONS					
	Purchases £ m	Rates	Discount Rat	e on El	igible Ban	k Bills
Band 1 (0-14 days)	536	13 7/8	1 14-	13 3/4		
3and 2 (15-31 days)		1	13	27/32-2	25/32	
* Band 3 (32-63 days)		1	13	23/32-1	1/16	
* Band 4 (64-91 days)		t	13	9/16-7/	16	
TOTAL BILLS	536	1	+			
Repurchase		† * ·				
Lending	25					
TOTAL OPERATIONS	561	+ against shortage	£ 550 m			
+=-						
		3 month CDs	10 yr Tsy B	lond	20 yr Tsy	Rond
S RATES	Taday/Change	1 8.80 0.00	+	-0.01	8.23	-0.02
	Today/Change	FT Ind-Ord	+		Gilt in	
TOCK MARKET		+	FTSE		G166 In	
	Today/Change	1 1999.1 20.4	2415.9	25.1		0.00
ONG KONG		Previous	Today		Change	
ong Kong Dollar		7.8103	7.8095		0.0008	
ang Seng Index		2577.62	2583.16		5.54	
month interbank rate		9 3/16	9 1/4		up 1/16	

decision and gains of 1/4 were seen in all sectors. Sellers of longer maturities were, however, reported at these best levels and by the close shorts were 3/16 better, mediums 1/8 and longs only 1/16.

INDEX-LINKED perked up a little, particularly medium maturities, and closed up 1/8.

EQUITIES opened firmly and progressed well for the rest of the day. Polly Peck has agreed to purchase Del Monte for 557mn, financed partly by a well-leaked rights issue for 283mn

NAME: James Welch TEL NO: 270 4616

J. Well

Transactions basis, cash values (£m); s	ales + purchase	es -			-
ISSUE DEPARTMENT: MARKET TRANSACTIONS			5 6	Today	September
	Gross sales s	horts	0106	25.8	165.6
	Gross sales me	ediums	1 7	28.8	185.9
Gross sal	es longs and un	ndated	1	44.8	193.6
Gros	s sales index-l	inked	i	21.9	52.5
	Part paid	calls	i	1	
Buying in non-ne	xt maturities s	shorts	i	-27.2	-199.4
Buying in non-nex	t maturities me	ediums	i	-25.1	-253.9
Buying in non-n	ext maturities	longs	i	-50.8	-260.0
Buying in non-next mat	urities index-l	inked	i	-21.8	-81.9
CRND:	Market transac	ctions	i		-0.2
	TOTAL 'GROSS'	SALES	i	-3.6	-197.8
Buying i	n of next matur	rities	i		-6.5
	Rede	emption	s	-0.2	-0.7
TOTAL TRAN	SACTIONS WITH N	MARKET	i	-3.8	-205.0
			uture calls		
		F	uture catts		
ales required to meet * *	target of	£ =	m		
	target of	£ =	m	Change	l
PRICES/YIELDS OF GILT-EDGED STOCKS	target ofYesterday's clo	£	m	Chang yesterda	e from y's close
PRICES/YIELDS OF GILT-EDGED STOCKS		£ =	m		y's close
PRICES/YIELDS OF GILT-EDGED STOCKS	Yesterday's clo	£ =	m	yesterda	y's close
PRICES/YIELDS OF GILT-EDGED STOCKS	Yesterday's clo	f =	m	yesterday	y's close Yield (%)
PRICES/YIELDS OF GILT-EDGED STOCKS P Shorts	Yesterday's clo	£ = = = = = = = = = = = = = = = = = = =	m	yesterda Price (£/32) 6	y's close
PRICES/YIELDS OF GILT-EDGED STOCKS P Shorts Mediums Longs	Yesterday's clo	£ = = = = = = = = = = = = = = = = = = =	**************************************	yesterda Price (£/32) 6	y's close Yield (%) -0.03 -0.03
PRICES/YIELDS OF GILT-EDGED STOCKS P Shorts Mediums Longs	Yesterday's clo	£ = = = = = = = = = = = = = = = = = = =	**************************************	yesterda; Price (£/32) 6 5	y's close Yield (%) -0.03 -0.03
PRICES/YIELDS OF GILT-EDGED STOCKS P Shorts Mediums Longs	Yesterday's clo	£ = = = = = = = = = = = = = = = = = = =	+ 	yesterday Price (£/32) 6 5 2 Yield (p	Yield (%) -0.03 -0.03 -0.01 -0.01 cr cent) Change
PRICES/YIELDS OF GILT-EDGED STOCKS P Shorts Mediums Longs REPRESENTATIVE STOCKS	Yesterday's clo	f = = = = = = = = = = = = = = = = = = =	+	yesterda; Price (£/32) 6 5 2 Yield (p	y's close Yield (%)
PRICES/YIELDS OF GILT-EDGED STOCKS P Shorts Mediums Longs EPPRESENTATIVE STOCKS Treasury 1992 3/4 Treasury 1997 'C'	Yesterday's clo	£ = = = = = = = = = = = = = = = = = = =	thange	yesterda; Price (£/32) 6 5 2 Yield (p Today 11.30 10.21	y's close Yield (%) -0.03 -0.01 er cent) Change -0.07
PRICES/YIELDS OF GILT-EDGED STOCKS P Shorts Mediums Longs EPRESENTATIVE STOCKS X Treasury 1992 3/4 Treasury 1997 'C' 1 3/4% Treasury 2003/07	Yesterday's clo	£ = = = = = = = = = = = = = = = = = = =	change	yesterda; Price (£/32) 6 5 2 Yield (p Today 11.30 10.21 9.84	y's close Yield (%)
Shorts Mediums Longs Treasury 1992 3 3/4 Treasury 1997 'C' 1 3/4% Treasury 2003/07 % Treasury 1992	Yesterday's closer of the second of the seco	£ = cose cent)	thange 7 5 2	yesterda; Price (£/32) 6 5 2 Yield (pi Today 11.30 10.21 9.84 9.33	y's close Yield (%)
Shorts Mediums Longs REPRESENTATIVE STOCKS 3.74 Treasury 1992 3.3/4 Treasury 1997 'C' 1.3/4% Treasury 2003/07 3% Treasury 1992 2.1/2% Index-Linked 2016	Yesterday's clo 'ar yield (per of the period	£ = cose cent)	Change 7 5 2	yesterda; Price (£/32) 6 5 2 Yield (p Today 11.30 10.21 9.84 9.33 3.49	y's close Yield (%) -0.03 -0.01 er cent) Change -0.07 -0.03 -0.01 -0.03
P Shorts Mediums	Yesterday's clo ar yield (per of the period) 10.	£ = = = = = = = = = = = = = = = = = = =	Change 7 2 2	yesterda; Price (£/32) 6 5 2 Yield (p Today 11.30 10.21 9.84 9.33 3.49	y's close Yield (%) -0.03 -0.01 er cent) Change -0.07 -0.03 -0.01 -0.03
PRICES/YIELDS OF GILT-EDGED STOCKS Prices/YIELDS OF GILT-EDGED STOCKS Shorts Mediums Longs REPRESENTATIVE STOCKS Streasury 1992 Streasury 1992 Streasury 1997 'C' Streasury 1992 Streasury 1992 Streasury 1992 Streasury 1992 Streasury 1992 Streasury 1994	Yesterday's clo ar yield (per of the period) 10.	£ = = = = = = = = = = = = = = = = = = =	Change 7 2 2	yesterda; Price (£/32) 6 5 2 Yield (p Today 11.30 10.21 9.84 9.33 3.49	y's close Yield (%) -0.03 -0.01 er cent) Change -0.07 -0.03 -0.01 -0.03

NAME: TEL NO: James Welch 270 4616

