

PRIME MINISTER

TODAY'S MARKET REPORT

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I attach today's report.

Following our discussion this morning, I talked with the Treasury and pressed them to intervene further if sterling showed continued weakness. You will see that they responded on a significant scale. It seems to have had some effect, with the DM rate currently (1900 hours) at 3.127, whereas it had dropped well below 3.12 at points during the day. We have gone up against the dollar (currently 1.687), but that is more a question of dollar weakness than sterling strength, as explained in the Market Report.

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PRCG.

Paul Gray

2 September 1988