SECRET

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Market Reports

ECONOMIC POLICY

JUNE 1988

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~7.6.91~~							
~~14.6.91~~							
~~19.7.91~~							
~~26.7.91~~							
30.8.91							
Part ends							

PREM 19/3285

HMSO Dd8953031 6/85 C60 GP2265 CCN13412 (3932)

PART 1 ends:-

Market Report 30 8 91

PART 2 begins:-

BP to PM 6 9 91

SECRET

Prime Minister
HMT + Bank report no

difficulties in achieving cut 1/2% cut
since current Wednesday (4 Sept)
BTP 30/8

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Friday 30 August 1991

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16/10/87	since 5/10/90
90.7	£ERI	90.8	90.5	-13.3	5.7	-1.1	-3.8
1.6880	$/£	1.6860	1.676	22.6	9.7	0.7	-12.6
2.9354	DM/£	2.9379	2.9355	-24.9	5.2	-2.0	-0.4
1.4275	ECU/£	1.4291	1.4294				
66.4	$ERI		66.7	-32.5	-8.1	-4.2	8.6
1.7390	DM/$	1.7425	1.7515	-38.7	-4.1	-2.7	14.0
136.70	Yen/$	136.9	136.85	-43.2	-10.9	-4.1	3.4
78.61	Yen/DM	78.57	78.13				

Sep $20.27 Oct $20.17 Nov $20.17 Spot Brent Sep $20.52 Oct $20.47 Nov $20.40

STERLING WITHIN THE ERM

Currency	Closing/£	% deviation from central rate	£ effective limit Upper	£ effective limit Lower	£ limit Upper	£ limit Lower
£/ecu	0.699581	-0.38				
Ire Punt	1.093637	-0.68	1.152974	1.081094	1.16920	1.03710
BFr/Lfr	60.38628	-0.75	63.66263	59.6937	64.6050	57.3035
Hfl	3.30591	-0.54	3.485277	3.267994	3.52950	3.13050
Dkr	11.32557	0.65	11.94005	11.19567	11.9479	10.5976
DM	2.935514	-0.49	3.094784	2.901846	3.13200	2.77800
Lit	2188.018	-0.87	2306.732	2162.923	2343.62	2078.79
FFr	9.964658	0.72	10.5053	9.850372	10.50550	9.31800
SPta	182.684	-4.73	192.5958	180.59	203.600	180.590

POSITION VERSUS WEAKEST CURRENCY

	0 1 2 3 4 5 6	
PTa	++	5.71
LIt	++++++++++++++++++	1.60
BFr/LFr	++++++++++++++++	1.48
IPt	++++++++++++++	1.41
HFl	++++++++++++	1.26
DMk	++++++++++++	1.21
GBp	+++++++	0.72
DKr	+	0.07
FFr	.	0.00

UK RESERVE TRANSACTIONS ($million)

	Today	Month so far	Since 1 Apr 91		End-month position*
(a)	26	1118	3157	Market transactions (b)	1052
	14	-744	-572	Off-market transactions	-622
	40	374	2585	TOTAL	430
				Net borrowing	-11
				Valuation changes	
				TOTAL CHANGE IN RESERVES	419

(a) To meet forecast government foreign exchange requirements, market transactions at present need to average $60 to 70 million a day to maintain the reserves at a constant level.

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

*Estimated. On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	Greece	Norway -50,-11DM,-35ECU
Canada	Holland	Portugal +31,+44DM,+39FFc,+7£
Denmark	Ireland	Spain
France	Italy	Sweden
Germany	Japan	US

MARKET COMMENT

The markets were quiet and steady overnight and this morning ahead of a long New York holiday week-end. In the afternoon the dollar rose on strong US economic data: July leading indicators +1.2PCT (0.8PCT had been expected); factory goods orders +6.7PCT, the largest rise since December 1970,(+5.7PCT was expected); and the Chicago National Association of Producers Managers' Index at 54.7PCT (52PCT was the top of the range of expectations). Sterling has ended lower against the firmer dollar and after having been firmer against the Deutschemark during the day has closed unchanged from Thursday's closing rate.

Rates at 17.05Hrs: $1.6810 DM2.9383 DM/$1.7480 ¥/$136.80 ¥/DM78.26.

Bill Allen on 0737 244847

J.E.Crane.
TEL NO: 270-5558

SECRET

MONEY MARKETS — **Friday 30 August 1991**

INTEREST RATES

	# Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	11	1/16	5 9/16	-1/16
1 mth	11	1/32	5 5/8	0
3 mth	10 13/16	1/32	5 5/8	-1/16
12 mth	10 9/16	0	6	-1/8

BILLS

	Today	Change
3 Month Treasury Bills	10 1/8 - 10	0 0

BANK MONEY MARKET OPERATIONS

	Purchases # m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	917	10 7/8	10 15/16-7/8
Band 2 (15-31 days)			10 11/16-21/32
Band 3 (32-63 days)			10 1/2-7/16
Band 4 (64-91 days)			10 5/16-9/32
TOTAL BILLS	917	TB tender; 81 day 10.0676% 182 day 9.7953%	
Repurchase	974	for resale to market on 4/6 Sep at 10 15/16%	
Lending	70		
TOTAL OPERATIONS	1961	Shortage #	2200 m

US RATES

	3 month CDs	10 yr Tsy Bond	20 yr Tsy Bond
Today/Change	5.63 0.00	7.76 -0.05	8.01 -0.05

GERMAN RATES

	3 mth I'bank	35 day REPO (21/8)	63 day (14/8)
Today/Change	9.20 0.00	9.00	9.15

UK STOCK MARKET

	FT Ind-Ord	FTSE
Today/Change	2079.3 13.1	2645.7 7.5

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.7605	7.7608	0.0003
Hang Seng Index	3981.96	3981.96	0
3 month interbank rate	6	5 7/8	down 1/8

MARKET COMMENT

GILTS opened unchanged and steadied just below this level for most of the morning in very quiet trading as market waited for announcement of funding at 3.30pm. After stronger than expected US figures gilts fell slightly and at worst market was 3/16 down. There was hardly any reaction to absence of funding and shorts and mediums closed 1/16 down and longs 1/8 softer.

INDEX LINKED opened unchanged and closed 1/8 or so firmer.

EQUITIES traded quietly mixed before some late improvement; the close was at an all time high.

Peter Smith

NAME: Peter Smith
EXTN: 270 4616

GILT-EDGED MARKET **Friday 30 August 1991**

Transactions basis, cash values (#m); sales + purchases -

ISSUE DEPARTMENT:TRANSACTIONS	SALES	PURCHASES	Today	AUG	SEP
shorts	7.9	-16.9	-9.0	178.8	-9.0
mediums	19.5	-22.4	-2.9	124.6	-2.9
longs and undated	4.7		4.7	804.3	4.7
index-linked	6.9	-7.2	-0.3	32.9	-0.3
part paid calls					
CRND:Market Transactions				-9.5	
TOTALS	39.0	-46.5	-7.5	1131.1	-7.5
Buying-in of next maturities			9.9	-18.7	9.9
Redemptions				-1.6	
TOTAL TRANSACTIONS WITH MARKET		-46.5	2.4	1110.8	2.4

			Future calls		
Sales required to meet	*	target of	# m		

PRICES/YIELDS OF GILT-EDGED STOCKS

Yesterday's close

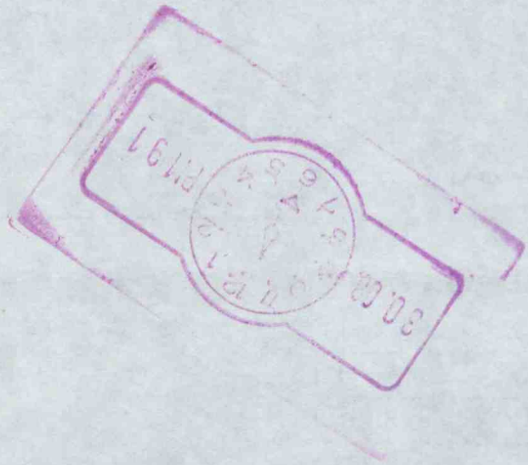
	Par yield (per cent)
Shorts (5 year yields)	9.981
Mediums (10 year yields)	9.946
Longs (20 year yields)	9.793

REPRESENTATIVE STOCKS	Price (#/32) Today	Change	Yield (per cent) Today	Change
10% Conversion 1996	100 4	-2	9.94	0.01
12% Exchequer 1998	109 16	0	10.09	0.00
11 3/4% Treasury 2003/07	112 3	-5	9.94	0.02
9% Treasury 2008	94 1	-5	9.72	0.02
2 1/2% Index-Linked 2016	115 20	8	4.31	-0.01
2% Index-Linked 1994	119 28	0	4.11	0.03

GILT FUTURES

		Open	Close	Volume
Long Contract	December	93.31	93.24	9240

NAME: Peter Smith
EXTN: 270 4616



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PRIME MINISTER

ECONOMIC FIGURES THIS WEEK

Today saw the publication of the Producer Price figures for July: 5.9 per cent at an annual rate (slightly up on June's 5.8 per cent figure). The markets will be slightly disappointed since they were expecting a continuation of the rapid fall seen last month. The main reason is the increase in food, drink and tobacco prices partly because last July was an unusually good month for FDT and that has now dropped out of the annual index; partly because manufacturers of FDT products have been taking the opportunity to combine Budget duty increases with price increases of their own.

The output of production industry figures for June are more encouraging. Manufacturing output is fractionally up on May at 112.7. Manufacturing and energy combined are 3 per cent up on May.

On Thursday we have the labour market statistics. Seasonally adjusted unemployment is up 67,800 to 2,368,000. That takes the rate to 8.3 per cent. The seasonally adjusted rise is slightly larger than June's, 60,000 but remains consistent with the rate of growth and unemployment. The unadjusted figures are up 127,000. Earnings. The annualised increase in average earnings in June was 8.25 per cent (down 0.25 per cent on May).

Thursday also sees the six-monthly CML figure for mortgage arrears and repossessions. Unsurprising but grim: serious arrears (ie. those over six months) are up 36 per cent to 218,000 and repossessions are up 32 per cent to 36,000 (0.4 per cent of all borrowers). The only light on the horizon is the lenders' comments that short term arrears have now peaked.

On Friday is the RPI. CSO now think it will be 5.5 per cent (which means we can not quite say that it has halved since last September). But it is in line with the market's expectations. I

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had a word with Jeremy Heywood in the Chancellor's office about interest rates. The Bundesbank (yes again!) are due to decide their rates on Thursday. The strong expectation is of a rise in discount rate and of at least a half per cent on their Lombard rate. Treasury are confident that sterling could weather half a per cent on Germany's Lombard rate (unlike some other European currencies) because a rise of that level has already been discounted in the market. Whether or not the Bundesbank put up their rates, the Chancellor is not thinking in terms of any further reductions in our interest rates this month. He will want to discuss the scope and timing of further cuts with you at one of your bilaterals early next month.

DOMINIC MORRIS
13 August 1991
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SECRET

Prime Minister
Quiet.

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MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Wednesday 31 July 1991

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16/10/87	since 5/10/90
90.9	£ERI	91.0	90.85	-13.0	6.1	-0.7	-3.5
1.6830	$/£	1.6865	1.684	23.1	10.2	1.2	-12.2
2.9410	DM/£	2.9404	2.9403	-24.7	5.3	-1.9	-0.3
1.4342	ECU/£	1.4318	1.4314				
66.85	$ERI		66.79	-32.4	-8.0	-4.0	8.8
1.7475	DM/$	1.7435	1.746	-38.9	-4.4	-3.0	13.6
137.80	Yen/$	137.8	137.5	-42.9	-10.5	-3.6	3.9
78.86	Yen/DM	79.01	78.75				

Aug $19.37 Sep $19.37 Oct $19.40 Spot Brent Aug $19.70 Sep $19.72 Oct $19.75

STERLING WITHIN THE ERM

Currency	Closing/£	% deviation from central rate	£ effective limit Upper	£ effective limit Lower	£ limit Upper	£ limit Lower
£/ecu	0.698634	-0.25				
Ire Punt	1.100294	-0.08	1.154905	1.079042	1.16920	1.03710
BFr/Lfr	60.55664	-0.47	63.56225	59.38703	64.6050	57.3035
Hfl	3.314954	-0.27	3.479485	3.250928	3.52950	3.13050
Dkr	11.38299	1.16	11.94797	11.16314	11.9479	10.5976
DM	2.940264	-0.33	3.086198	2.883475	3.13200	2.77800
Lit	2194.252	-0.59	2303.159	2151.871	2343.62	2078.79
FFr	9.997066	1.04	10.49325	9.80398	10.50550	9.31800
SPta	184.1454	-3.97	193.2851	180.59	203.600	180.590

POSITION VERSUS WEAKEST CURRENCY

```
            0         1         2         3         4         5    6
PTa         ++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++  5.34
LIt         ++++++++++++++++++++                                                   1.76
BFr/LFr     ++++++++++++++++++                                                     1.64
DMk         ++++++++++++++++                                                       1.49
HFl         ++++++++++++++                                                         1.43
IPt         ++++++++++++                                                           1.24
GBp         ++++++++++++                                                           1.16
FFr         +                                                                      0.12
DKr         .                                                                      0.00
```

	Today	Month so far	Since 1 Apr 91
(a)	59	915	2039
	-26	-1068	172
	33	-153	2211

UK RESERVE TRANSACTIONS ($million)

	End-month position*
Market transactions (b)	996
Off-market transactions	-902
TOTAL	94
Net borrowing	-65
Valuation changes	397
TOTAL CHANGE IN RESERVES	426

(a) To meet forecast government foreign exchange requirements, market transactions at present need to average $60 to 70 million a day to maintain the reserves at a constant level.

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

*Estimated. On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	Greece	Norway
Canada	Holland	Portugal +11,+90DM,+11Ff,+13£
Denmark	Ireland	Spain
France	Italy	Sweden -52, -17£
Germany	Japan	US

MARKET COMMENT

The markets have been very quiet. There was little reaction to US economic data released this afternoon : the small volumes of trade that have been conducted have been largely technical in nature. The pound remained steady against the dollar and the mark.

Rates at 17.40 hrs : $1.6835 DM2.9402 DM/$1.7465 Y/$137.35 Y/DM78.64

Terry Smeeton on 0732 461216

L A Hooson
TEL NO: 270-5558

SECRET

MONEY MARKETS — **Wednesday 31 July 1991**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	11 1/16	0	5 13/16	-1/16
1 mth	11 1/8	0	5 7/8	0
3 mth	11 3/32	-1/16	6	0
12 mth	10 27/32	-1/16	6 9/16	0

BILLS

	Today	Change
3 Month Treasury Bills	10 15/32 -	10 13/32 -1/32

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	283	10 7/8	10 31/32-29/32
Band 2 (15-31 days)	47	10 7/8	10 13/16-25/32
Band 3 (32-63 days)			10 23/32-11/16
Band 4 (64-91 days)			10 9/16-11/32
TOTAL BILLS	330		
Repurchase	345	for resale on 19/8 at 10 15/16	
Lending	365		
TOTAL OPERATIONS	1040	Shortage	£ 1200 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	5.97	0.00	8.19	-0.01	8.38	-0.02

GERMAN RATES

	3 mth I'bank		28 day REPO (17/7)	63 day
Today/Change	9.25	0.00	8.8	8.9

UK STOCK MARKET

	FT Ind-Ord		FTSE	
Today/Change	2003.9	-5.5	2588.8	-6.8

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.7545	7.7595	0.005
Hang Seng Index	4031.29	4009.58	-21.71
3 month interbank rate	6 7/16	6 3/8	down 3/16

MARKET COMMENT

GILTS opened unchanged and for most of the morning traded 1/6 or so below this level. After the weak US factory orders figures, the market followed the US and also gained encouragement from the better than expected tender for the latest German issue. The market closed at its best levels, with shorts unchanged, mediums up 1/6 and longs 1/8 firmer.

INDEX-LINKED opened unchanged and closed up to 1/4 softer.

EQUITIES opened better but again failed to stay above 2600 losing ground steadily in the afternoon as Wall Street was slightly weaker.

Sakeena Ali

NAME: Sakeena Ali
EXTN: 270 5193

GILT-EDGED MARKET — **Wednesday 31 July 1991**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT:TRANSACTIONS	SALES	PURCHASES	Today	JUL	AUG
shorts				188.0	
mediums	18.8	-18.9	-0.1	665.4	-0.1
longs and undated				226.1	
index-linked	10.3	-10.5	-0.2	30.6	-0.2
part paid calls				892.3	
CRND:Market Transactions				-0.3	
TOTALS	29.1	-29.4	-0.3	2002.1	-0.3
Buying-in of next maturities				-7.2	
Redemptions			-0.3	-530.3	-0.3
TOTAL TRANSACTIONS WITH MARKET		-29.4	-0.6	1464.6	-0.6

Future calls

Sales required to meet * target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts (5 year yields)	10.304		
Mediums (10 year yields)	10.189		
Longs (20 year yields)	10.040		

REPRESENTATIVE STOCKS

	Price (£/32) Today	Price (£/32) Change	Yield (per cent) Today	Yield (per cent) Change
10% Conversion 1996	99 2	0	10.21	0.00
12% Exchequer 1998	108 10	0	10.33	0.00
11 3/4% Treasury 2003/07	110 18	4	10.16	0.06
9% Treasury 2008	92 13	2	9.92	-0.01
2 1/2% Index-Linked 2016	114 14	-6	4.38	0.01
2% Index-Linked 1994	118 10	-2	4.61	0.03

GILT FUTURES

		Open	Close	Volume
Long Contract	September	92.05	92.09	4699

NAME: Sakeena Ali
EXTN: 270 5193

PRIME MINISTER

WEEKLY REPORT

A quiet week on the foreign exchange markets. UK equities have pushed further ahead. Oil prices have fallen back a little.

Exchange Rate

Over the week:

- the ERI has fallen slightly from 91.1 to 90.9;
- the dollar/sterling rate has risen fractionally from $1.686 to $1.69; and
- sterling has fallen a little, against the DM, from DM2.955 to DM2.936.

The most significant influence in the exchange markets has been renewed speculation over a rise in DM interest rates. It now seems unlikely there will be any change - at least until September.

Interest Rates

UK money market rates have remained more or less unchanged (at $11^{1}/_{16}$ for the three-month rate); they remain consistent with the 11 per cent base rate. There have been no important movements in interest rates abroad.

Equities

Equities have continued to be buoyant over the week. They have put on a further near 50 points to finish at 2589.3 on the FTSE index. Stock market developments are of course a good lead indicator of activity.

Oil Prices

Oil prices have slipped just a little back below $20. Today the spot oil price was $19.70.

BHP

BARRY H. POTTER

26 July 1991 a:\report.vlb

PRIME MINISTER

WEEKLY REPORT

The main development this week has been the further strengthening of sterling and the weaker dollar. Though equities faded a little over the last two days, the stock market put on over fifty points in a week. Oil prices continued to firm.

Exchange rate

Over the week:

- the ERI has risen from 90.4 to 91.1;

- the dollar/sterling rate has strengthened from $1.646 to $1.686; and

- sterling is a little up against the DM at DM2.955.

The dollar weakness reflects some perceived risk of a further cut in US interest rates. Correspondingly, there is also a risk of higher DM interest rates. The $/DM relationship dominates the exchange markets.

Interest rates

UK money market rates remain consistent with the 11 per cent base rate. The three-month money market rate is $11^{1}/_{32}$ per cent. No important movements in interest rates abroad.

Equities

Despite the slight shading down towards the end, ~~of~~ over the week equities rose strongly finishing at 2541.5 on the FTSE index. At over 2550 on Wednesday, the index was at an 18-month high. Stock market developments are a good lead indicator of activity.

Oil Prices

Oil prices are still firming. Today they were just over $20 per barrel for the first time since January.

BHP

BARRY H. POTTER

19 July 1991 c:\economic\market (slh)

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PRIME MINISTER

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WEEKLY REPORT

The main developments this week took place today - the ½% cut in UK base rates and the concerted action, led by the Bundesbank, to sell dollars. Sterling ended up higher over the week, mainly through appreciation today. Equities are little changed. Oil prices are a fraction higher.

Exchange rate

Over the week:

- the ERI has risen from 89.8 to 90.4;
- against the dollar sterling has risen from $1.615 to $1.646; and
- sterling is more or less unchanged against the DM, at DM 2.950.

The action all took place today. The ½% cut in UK interest rates had no deleterious effect on sterling: but it initially remained firm - and then rose alongside other European currencies as the dollar weakened. The RPI announcement had no observable impact. Sterling is now the fourth strongest currency within the ERM.

Interest rates

UK money markets followed the cut in base rates. The three-month money market rate is 11%, down 1/8th% from last week.

Abroad, as you well know, the main development was the absence of any rise in the German discount rate.

Equities

Though equities faded a little over the day, the Stock Exchange has been relatively firm all week. The FTSE index ended some 13 points higher than last week at 2497.4.

Oil prices

Oil prices have risen by just under 1$ to stand at $19.62 per barrel.

BP BHP

12 July 1991 jd c:\wpdocs\economic\weekly

SECRET

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PRIME MINISTER

WEEKLY REPORT

Foreign exchange markets have remained relatively stable - despite the cut in Japanese interest rates and some uncertainty about Bundesbank intentions. Sterling is little changed overall: firmer against the DM, weaker against the dollar. UK equities rose. Oil prices were little changed.

Exchange rate

Over the week:

- the FRI has risen fractionally from 89.6 to 89.8;
- against the dollar sterling has drifted a little lower from $1.6215 to $1.615; but
- sterling has firmed against the DM, rising from DM 2.9382 to DM 2.953.

The main event has been the unexpected cut in Japanese interest rates. There is still uncertainty on DM rates ahead of the critical meeting on 11 July. Yet the consensus amongst market commentators is that no rise will be possible before the July Summit.

Despite earlier suspicions in the market that UK rates would be cut, sterling firmed towards the end of the week. The pound has risen two places in the ERM league table.

Interest rates

UK money markets have fallen - the three month money market rate is now at 11⅛%, signalling a further ½% cut in base rates.

Abroad the main development was the rise in Japanese interest rates.

Equities

Equities reversed much of the fall over the last fortnight. On the FTSE Index, a rise of 70 points was recorded, taking the Index to 2484.7.

Oil Prices

Oil prices were a little higher at $ 18.75 per barrel.

BARRY H. POTTER
5 July 1991

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PRIME MINISTER

WEEKLY REPORT

The foreign exchange markets have been relatively quiet all week. Sterling is little changed. UK equities have fallen further over the week, however, down by 70 points on the FTSE 100 index. Oil prices are unchanged.

Exchange Rate

Over the week:

- the ERI has eased marginally from 89.7 to 89.6;

- the sterling/dollar rate has drifted from $1.63 to $1.6215;

- against the deutschmark sterling has hardened fractionally from DM 2.933 to DM 2.9382.

Following the G7 meeting last Sunday the markets have been remarkably quiet. After testing whether there was an effective cap at $/DM 1.80, the markets rapidly quietened. It became clear fairly early there would be no rise in German interest rates. Sterling has been on the sidelines.

Interest Rates

UK money market rates have been relatively stable. In fact, they have hardened fractionally with the three-month money market rate rising by around $^{1}/_{8}$% to $11^{19}/_{64}$ths.

Abroad there have been no significant developments in interest rates.

Equities

Last week the FTSE index lost nearly 40 points. This week it has drifted down further recording a total loss of 70 points. So in

two weeks equities have fallen by 100 points, i.e. roughly 5%. Some bad results, e.g. Burton, and some further Rights issues have depressed the market.

Oil Prices

Oil prices are more or less unchanged at $18.27 per barrel this week.

BHP

BARRY H. POTTER

28 June 1991

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PRIME MINISTER

WEEKLY REPORT

Ater falling further at the beginning of the week, sterling recovered later to end up more or less unchanged over the week as a whole. But financial markets remained troubled. UK equities fell by nearly 40 points. Oil prices moved up a little.

Exchange Rate

Over the week:

- the ERI has eased marginally from 89.8 to 89.7;
- the sterling dollar rate has eased from $1.6375 to $1.63;
- against the DM, sterling is more or less unchanged at DM 2.933.

The strength of the dollar and weakness of the DM have dominated the foreign exchange markets. Sterling has been carried on the coat-tails of the DM all week. But general market perception is that, not least because of recent exchange market developments, the likelihood of an immediate cut in UK interest rates has receded.

Interest Rates

UK money market rates have been relatively stable all week. They ended up at $11^{3}/_{16}$ per cent (the same as last Friday) for the three month inter-bank rate.

Abroad there have been no significant developments in interest rates. The putative rise in Spanish rates did not materialise. The threat of a rise in German rates receded at news of the G7 meeting (see separate note).

Equities

The markets have been relatively quiet all week. Equities have drifted lower, however, to finish at 2487.5 on the FTSE 100 index - a drop of nearly 40 points on last Friday.

Oil Prices

Oil prices have firmed a little from $17.85 per barrel last week to $18.37 this week.

BHP

(BARRY H. POTTER) 21 June 1991 c:wpdocs\economic\mr (srw)

PRIME MINISTER

WEEKLY REPORT

Sterling has fallen over the last week. UK financial markets remain uneasy. Equities are little changed, while oil prices slipped a little.

Exchange rate

Over the week:

- the ERI has fallen from 91.0 to 89.8;

- the sterling/dollar rate has fallen from $1.6745 to $1.6375;

- against the deutchmark sterling has fallen by nearly 3 pfennigs from DM 2.9588 to DM 2.9303; and sterling has fallen to third bottom of the ERM league table.

While the strength of the dollar remains the dominant feature of the foreign exchange markets, the unease on sterling last week was translated into a substantial fall today. The main reason of course was an expectation of lower UK interest rates. As you know 2.30 lending was undertaken on a ten day basis to help reassure the markets that no cut was imminent.

However you are aware of the Chancellor/Bank's concern about too early a cut. In that context it is interesting to note that, despite a fall of nearly two pfennigs against the DM today, Bank intervention appears to have been on only a very modest scale i.e. little was done to support sterling.

Interest rates

Earlier in the week the UK three month inter-bank rate dropped in anticipation of a cut in base rates today. Since then the various signals through money market lending have strengthened the rate. At 11 $^{3}/_{16}$ths today it remains consistent with the

11½ per cent base rate.

There have been no major developments on interest rates abroad, though there is some speculation of a fall in Spanish interest rates.

Equities

The FTSE index has risen by 16 points over the week to stand at 2522.3.

Oil prices

Oil prices continue to slide and have now fallen below $18 per barrel to stand at $17.85.

(BARRY H. POTTER)
14 June 1991

c:\wpdocs\economic\markets

(2)

PRIME MINISTER

WEEKLY REPORT

Sterling has weakened a little further over the last seven days. UK financial markets remain uneasy. Equities are little changed: oil prices have eased.

Exchange rate

Over the week:

- The ERI has fallen from 91.1 to 90.9;

- The Sterling/Dollar rate has fallen from $1.703 to $1.6745;

- Against the DM, Sterling has remained more or less unchanged at just under DM 2.96, and;

- Sterling has been at position 3 or 4 in the ERM league table.

The exchange markets are dominated by the Dollar/DM relationship. There is little attention to Sterling: but the Bank reports financial markets are uneasy on Sterling, mainly because of increased political uncertainty.

Interest Rates

There have been no important developments in interest rates this week either here or overseas. At $11^{1}/_{4}$ per cent, the UK three month inter-bank rate is consistent with the present base rate.

Equities

The FTSE index has put on six points over the week to close at 2506.3.

Oil Prices

Oil prices have lost about 70 cents to stand at $18.32 per barrel.

BHP

BARRY H POTTER

7 June 1991

c\economic\weekly (kw)

(2)

PRIME MINISTER

WEEKLY REPORT

Sterling has weakened over the last seven days. There is a hint - no more than that - of a less favourable sentiment on sterling. Equities have risen a little. Oil prices are more or less unchanged.

Exchange rates

Over the week:

- the ERI has fallen from 91.7 to 91.1;

- the sterling/dollar rate has fallen from $1.7315 to $1.703;

- against the DM, sterling has weakened from DM2.9574 to DM2.953 and has, over the last 48 hours, dropped from time to time below its central rate; and

- sterling has slipped further in the ERM league table from No. 3 to No. 4.

Interest Rates

Following last week's cut in UK rates, money market rates have drifted down over the week. At 11 5/16 per cent, the three month interbank rate is fully consistent with the 11.5 per cent base rate.

There have been no major changes in overseas interest rates.

Equities

The FTSE 100 index has gained a further 30 points to stand just below 2500 today.

Oil prices

Oil prices are more or less unchanged at $19.02 per barrel.

BHP

BARRY H. POTTER

31 May 1991 c:\economic\weekly (slh - jd)

SECRET

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Friday 31 May 1991

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16/10/87	since 5/10/90
91.3	£ERI	91.2	91.15	-12.7	6.5	-0.4	-3.1
1.7145	$/£	1.7105	1.703	24.5	11.4	2.3	-11.2
2.9507	DM/£	2.9498	2.953	-24.4	5.8	-1.5	0.2
1.4341	ECU/£	1.4364	1.4353				
66.1	$ERI		66.4	-32.8	-8.5	-4.6	8.1
1.7210	DM/$	1.7245	1.734	-39.3	-5.1	-3.7	12.8
137.90	Yen/$	138.0	138.35	-42.6	-9.9	-3.0	4.5
80.13	Yen/DM	80.00	79.79				

Jun $18.75, Jul $19.22, Aug $19.50 Spot Brent Jun $19.02 Jul $19.37 Aug $19.65

STERLING WITHIN THE ERM

Currency	Close	£ deviation from central rate (%)	£ effective limit Upper	£ effective limit Lower	£ limit Upper	£ limit Lower
£/ecu	0.696711	0.03	-	-	-	-
Ire Punt	1.102622	0.13	1.157449	1.090198	1.16920	1.03710
BFr/Lfr	60.72898	-0.19	63.74869	60.04471	64.6050	57.3035
Hfl	3.325107	0.04	3.490446	3.287641	3.52950	3.13050
Dkr	11.32239	0.62	11.88539	11.19482	11.9479	10.5976
DM	2.953002	0.10	3.099838	2.919728	3.13200	2.77800
Lit	2189.206	-0.82	2298.063	2164.539	2343.62	2078.79
FFr	10.00767	1.15	10.5053	9.894917	10.50550	9.31800
SPta	182.6467	-4.75	191.7287	180.59	203.600	180.590

POSITION VERSUS WEAKEST CURRENCY

	0 1 2 3 4 5 6	%
PTa	**********	6.19
LIt	**********	1.98
BFr/LFr	**********	1.34
GBp	**********	1.15
HFl	**********	1.11
DMk	**********	1.05
IPt	**********	1.02
DKr	*******	0.53
FFr	*	0.00

UK RESERVE TRANSACTIONS ($million)

	Today	Month so far	Since 1 Apr 91		End-month position*
(a)	-2	398	859	Market intervention (b)	434
	-37	-142	723	Off-market transactions	147
	-39	256	1582	TOTAL	581
				Net borrowing	-15
				Valuation changes	
				TOTAL CHANGE IN RESERVES	566

(a) Spot and forward transactions on a done date basis.

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

*Estimated. On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	Ireland	Canada
Denmark	Italy	Japan
France	Portugal	Norway
Germany	Spain	Sweden +124 DM
Holland	Greece	US
	Finland	

MARKET COMMENT

The dollar and yen gained a little on the mark overnight on comments by the outgoing CIA director that President Gorbachev's future was looking increasingly uncertain, with some selling of Mark for Yen by Japanese Investors. In London the dollar also gained on a number of positive economic reports on the US economy. Sterling remained weak in New York, closing at DM2.9446, but has benefitted today from the stronger dollar, ending a little over DM2.95. However, general sentiment on the pound is still reported to be bearish.

Rates at 17.50Hrs: $1.7005 DM2.9572 DM/$1.7390 ¥/$138.30 ¥/DM79.53

Terry Smeeton on 0732 461216

Miss F Miller
TEL NO: 270-5755

SECRET

R Miller

MONEY MARKETS — **Friday 31 May 1991**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	11 7/16	0	5 13/16	-1/16
1 mth	11 15/32	-3/32	5 7/8	0
3 mth	11 5/16	-3/32	6	0
12 mth	11 7/16	13/32	6 9/16	0

BILLS

	Today		Change
3 Month Treasury Bills	10 13/16	- 10 3/4	-1/16

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	80	11 3/8	11 1/2 - 3/8
Band 2 (15-31 days)	1023	11 5/16	11 5/32 - 1/8
Band 3 (32-63 days)			11 - 10 15/16
Band 4 (64-91 days)			10 7/8 - 7/32
TOTAL BILLS	1103	T. Bill tender : 63 day 10.91%	
Repurchase		91 day 10.74%	
Lending	345	182 day 10.26%	
		@ 11½ per cent for 7 days	
TOTAL OPERATIONS	1448	against shortage £ 1450 m	

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	5.95	0.08	8.04	-0.02	8.22	-0.07

GERMAN RATES

	3 mth I'bank		35 day REPO (22/5)		63 day	
Today/Change	9.00	0.10	8.60			

UK STOCK MARKET

	FT Ind-Ord		FTSE	
Today/Change	1957.2	8.7	2499.5	8.3

HONG KONG	Previous	Today	Change
Hong Kong Dollar	7.315	7.733	0.418
Hang Seng Index	3679.72	3707.01	27.29
3 month interbank rate	8 15/32	8 1/4	up 3/32

MARKET COMMENT

GILT edged market opened unchanged in shorts and 1/8 firmer in medium and longs on some foreign buying after the overnight improvement in the US bond. The buying was not sustained and the market drifted back; at worst it was an 1/8 down but there was some support at these levels. After the stronger than expected US figures for leading indicators the market was held down by the weakening US market and it closed broadly unchanged through the list in conventionals.

INDEX-LINKED opened unchanged and closed up to 1/4 down.

EQUITIES opened firmer after the better performances in New York and Tokyo but failed to hold the best levels of the day.

NAME: Sakeena Ali
EXTN: 270 5560

GILT-EDGED MARKET **Friday 31 May 1991**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT:TRANSACTIONS	SALES	PURCHASES	Today	MAY	JUNE
shorts	6.5	-12.2	-5.7	10.0	-5.7
mediums	17.6	-15.2	2.4	-102.7	2.4
longs and undated	5.1		5.1	283.0	5.1
index-linked		-1.2	-1.2	250.4	-1.2
part paid calls				1031.4	
CRND:Market Transactions	0.1		0.1	-13.3	0.1
TOTALS	29.3	-28.6	0.7	1458.8	0.7
Buying-in of next maturities					
Redemptions			-0.3	-401.4	-0.3
TOTAL TRANSACTIONS WITH MARKET		-28.6	0.4	1057.4	0.4

Sales required to meet * target of Future calls £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts (5 year yields)	10.408	-2	0.02
Mediums (10 year yields)	10.473	-8	0.04
Longs (20 year yields)	10.248	-12	0.04

REPRESENTATIVE STOCKS

	Price (£/32) Today	Price (£/32) Change	Yield (per cent) Today	Yield (per cent) Change
10% Conversion 1996	98 20	0	10.32	0.00
12% Exchequer 1998	107 8	-2	10.56	0.01
11 3/4% Treasury 2003/07	108 20	-1	10.45	0.00
9% Treasury 2008	91 2	2	10.09	-0.01
2 1/2% Index-Linked 2016	116 14	-8	4.23	0.02
2% Index-Linked 1994	118	-4	4.31	0.06

GILT FUTURES

		Open	Close	Volume
Long Contract	September	90.25	90.23	12376

NAME: Sakeena Ali
EXTN: 270 5560

PRIME MINISTER

WEEKLY REPORT

Despite today's $^1/_2$% cut in UK rates, sterling has held up at broadly the same level as last week. Equities are a little higher, while oil prices are more or less unchanged on last week.

Exchange Rates

Over the week:

- the ERI ended up unchanged at 91.7;
- the dollar/sterling rate has firmed a little from $1.7175 to $1.7315;
- against the DM, sterling has weakened from DM2.9739 to DM2.9574;
- sterling has slipped fractionally in the ERM league table from number 2 to number 3.

Immediately after the $^1/_2$% cut in the UK rate, sterling held up well. But it weakened against the deutschmark by around 1 pfennig over the course of the day. However, that was mainly a reflection of dollar weakness.

Interest rates

The $^1/_2$% cut in UK base rates went ahead smoothly today. Money market rates had already discounted the move from the middle of the week.

Although the Danes cut their interest rates earlier this week, the plan for a co-ordinated U.K. move with the French today did not come off. The main reason was the peseta constraint on the French franc: indeed at times the franc was technically outside the 6% ERM margin over the course of the day.

Equities

The FTSE 100 Index has recovered around 17 points of the 70 points lost last week, to stand at 2471.1.

Oil Prices

Oil prices are more or less unchanged at $18.87 per barrel. The oil price has now held below $19 per barrel for the last fortnight.

BHP

Barry H. Potter

24 May 1991

a:\weekly.dsg

PRIME MINISTER

WEEKLY REPORT

A fairly quiet week with no major changes in exchange rates or interest rates. Both equities and oil have eased from last week.

Exchange Rates

Over the week:

- the ERI has risen a little from 91.6 to 91.75
- the dollar-sterling rate has risen from $1.713 to $1.7175
- against the DM, sterling has gone up half a pfennig from DM 2.969 to DM 2.974
- sterling has moved up to being the second strongest currency within the ERM.

Interest Rates

There have been no major changes in the UK or overseas interest rates this week. The three-month money market rate has firmed slightly to $11\frac{5}{8}$ per cent, still consistent with a 12 per cent base rate.

Equities

Despite a rally in mid-week, equities have weakened overall and the FTSE index has dropped 70 points to 2454.

Oil Prices

Oil prices are 80 cents lower than last week, dropping to $18.95 a barrel.

DM

(DOMINIC MORRIS)
17 May 1991
c:\wpdocs\parly\weekly (srw)

(2)

PRIME MINISTER

Weekly Report

A quiet week - there have been no important movements in exchange rates, interest rates, equities or oil prices.

Exchange Rates

Over the week:

- the ERI has risen a little from 91.2 to 91.5;
- the dollar/sterling rate has risen from $1.699 to $1.71;
- against the DM, sterling has remained broadly constant, moving only from DM2.965 last Friday to DM 2.9686 at close tonight;
- sterling remains the third strongest currency within the ERM.

Interest Rates

There have been no major changes in UK or overseas interest rates this week. The 3-month money market rate at 11.5 per cent is still consistent with a 12 per cent base rate. The Bank's money markets operations today were conducted in a way designed to indicate no imminent cut in interest rates.

Equities

Equities have been quiet all week. The FTSE index has moved up just 1.5 points to 2524.3.

Oil Prices

Oil prices are stable, ending the week at $19.77 per barrel, just 27 cents above last week's figure.

BHP

BARRY H. POTTER

10 May 1991 c:\economic\money (slh)

PRIME MINISTER

WEEKLY REPORT

The main development this week was the unexpected cut in the federal discount rate on Tuesday. Sterling has not reacted today to the local election results.

Equities and oil prices remain quiet.

Exchange markets

Over the week:

- the ERI has risen a little from 90.8 to 91.2;
- the dollar/sterling rate has risen from $1.686 to $1.699 (though it was over $1.72 between Tuesday and opening today);
- against the DM, sterling fell below its central rate briefly during the week; but it recovered to finish at DM 2.9614 compared with DM 2.965 last Friday;
- sterling has moved from fourth to third strongest currency within the ERM.

The main development has been the strengthening of the deutschmark and the inevitable weakening of the dollar. Sterling has been on the sidelines but was unaffected by local election results.

Interest rates

UK interest rates have fallen a little over the week. The three month money market rate is down from $11^{25}/_{32}$ to $11^{9}/_{16}$. It is towards the lower end of the range consistent with a 12 per cent base rate.

The main development overseas was the half point cut in the federal discount rate, which has been translated into market interest rates in the US. German rates remained unchanged.

Equities

After a few weeks of drifting down gently, equities recovered this week. On the FTSE index, equities are up by 50 points to 2522.7.

Oil prices

Oil prices remain broadly stable at $19.50 per barrel.

BHP

BARRY H. POTTER

3 May 1991

C:\economic\market (pmg)

SECRET

Prime Minister 9
Main influence today was the US discount rate cut. £ holding up despite $ weakness

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Tuesday 30 April 1991

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16/10/87	since 5/10/90
90.7	£ERI	91.2	91.4	-12.5	6.8	-0.1	-2.9
1.6720	$/£	1.6990	1.7205	25.8	12.6	3.4	-10.3
2.9686	DM/£	2.9673	2.9627	-24.2	6.1	-1.1	0.5
1.4395	ECU/£	1.4392	1.4391				
67.2	$ERI		65.9	-33.3	-9.2	-5.3	7.3
1.7725	DM/$	1.7465	1.722	-39.7	-5.7	-4.4	12.1
138.40	Yen/$	137.3	136.55	-43.3	-11.1	-4.3	3.1
78.08	Yen/DM	78.59	79.30				

May $20.02 Jun $19.67 Jul $19.95 Spot Brent May $19.82 Jun $19.52 Jul $19.20

STERLING WITHIN THE ERM

Currency	Close	£ deviation from central rate (%)	£ effective limit Upper	Lower	£ limit Upper	Lower
£/ecu	0.694855	0.29	-	-	-	-
Ire Punt	1.10643	0.48	1.161093	1.093028	1.16920	1.03710
BFr/Lfr	60.9057	0.10	63.91472	60.16793	64.6050	57.3035
Hfl	3.336049	0.37	3.500865	3.295638	3.52950	3.13050
Dkr	11.32433	0.64	11.8838	11.18715	11.9479	10.5976
DM	2.962701	0.43	3.109072	2.926812	3.13200	2.77800
Lit	2188.906	-0.83	2297.048	2162.391	2343.62	2078.79
FFr	10.01072	1.18	10.5053	9.889466	10.50550	9.31800
SPta	182.8031	-4.67	191.8344	180.59	203.600	180.590

POSITION VERSUS WEAKEST CURRENCY

	0 1 2 3 4 5 6	%
PTa	++	5.78
LIt	++++++++++++++++++++	1.99
GBp	++++++++++++	1.17
BFr/LFr	++++++++++	1.07
HFl	++++++++	0.81
DMk	+++++++	0.74
IPt	+++++++	0.70
DKr	+++++	0.54
FFr	.	0.00

	Today	Month so far	Since 1 Apr 91
(a)	29	461	461
	181	865	865
	210	1326	1326

UK RESERVE TRANSACTIONS ($million)

	End-month position*
Market intervention (b)	447
Off-market transactions	791
TOTAL	1238
Net borrowing	-25
Valuation changes	288
TOTAL CHANGE IN RESERVES	1501

(a) Spot and forward transactions on a done date basis.

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

*Estimated. On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium		Ireland	-31	Canada	
Denmark		Italy	+11ECU	Japan	
France		Portugal		Norway	-29
Germany		Spain		Sweden	
Holland		Greece		US	

MARKET COMMENT

The market was still uncertain as to reaction to the G7 discussions and with awareness of the weakness of the US economy, the dollar was subject to profit-taking overnight and this morning. This afternoon the Fed. cut the US discount rate another 1/2PCT to 5 1/2PCT and the dollar fell once more. Sterling is holding up well depite the weakness of the dollar.

Rates at 17.05Hrs: $1.7225 DM2.9593 DM/$1.7180 ¥/$136.30 ¥/DM79.34.

Terry Smeeton on 0732 461216

J.E.Crane.
TEL NO: 270-5556

SECRET

b

MONEY MARKETS — **Tuesday 30 April 1991**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	11 15/16	1/16	5 15/16	0
1 mth	11 13/16	-1/16	5 15/16	-1/16
3 mth	11 21/32	-1/16	6	-1/8
12 mth	11 5/16	0	6 9/16	-1/8

BILLS

	Today	Change
3 Month Treasury Bills	11 1/4 - 11 3/16	0

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	153	11 7/8	11 13/16-11/16
Band 2 (15-31 days)	534	11 13/16	11 17/32-15/32
Band 3 (32-63 days)			11 7/16-3/8
Band 4 (64-91 days)			11 7/32-3/16
TOTAL BILLS	687		
Repurchase			
Lending	110		
TOTAL OPERATIONS	797	against shortage	£ 750 m

US RATES

	3 month CDs	10 yr Tsy Bond	20 yr Tsy Bond
Today/Change	6.00 -0.13	8.06 0.00	8.21 -0.01

GERMAN RATES

	3 mth I'bank	28 day REPO (17/4)	63 day
Today/Change	9.05 -0.10	8.60	

UK STOCK MARKET

	FT Ind-Ord	FTSE
Today/Change	1946.4 -14.2	2486.2 -12.0

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.795	7.795	0
Hang Seng Index	3624.72	3588.36	-36.36
3 month interbank rate	6 9/16	6 9/16	unchanged

MARKET COMMENT

GILTS opened 1/16-1/8 up through the list and traded very quietly thereafter. The low was down 1/4 before cut in US discount rate brought market back to above opening levels. Shorts and mediums closed 1/8-1/4 better, longs up 1/8.

INDEX-LINKED closed 1/4 down.

EQUITIES loss ground on continued worries ahead of local elections but made partial recovery after 1/2% US interest rate cut.

NAME: Sakeena Ali
EXTN: 270 5560

C

GILT-EDGED MARKET **Tuesday 30 April 1991**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT:TRANSACTIONS	SALES	PURCHASES	Today	APR	MAY
shorts				747.7	
mediums	2.3	-2.2	0.1	209.3	0.1
longs and undated				10.1	
index-linked	1.6	-1.7	-0.1	178.7	-0.1
part paid calls					
CRND:Market Transactions				-10.1	
TOTALS	3.9	-3.9	-0.0	1135.7	-0.0
Buying-in of next maturities				-0.7	
Redemptions		-0.5		-386.3	
TOTAL TRANSACTIONS WITH MARKET		-4.4	-0.0	748.7	-0.0

Future calls

Sales required to meet * target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts (5 year yields)	10.397	6	-0.05
Mediums (10 year yields)	10.324	6	-0.03
Longs (20 year yields)	10.076	4	-0.01

REPRESENTATIVE STOCKS

	Price (£/32) Today	Price (£/32) Change	Yield (per cent) Today	Yield (per cent) Change
10% Conversion 1996	98 25	5	10.28	-0.04
12% Exchequer 1998	107 30	4	10.44	-0.03
11 3/4% Treasury 2003/07	110 2	4	10.25	-0.02
9% Treasury 2008	92 20	2	9.89	-0.01
2 1/2% Index-Linked 2016	116 20	-8	4.14	0.02
2% Index-Linked 1994	117 11	1	3.98	0.00

GILT FUTURES

		Open	Close	Volume
Long Contract	June	91.20	91.21	20548

NAME: Sakeena Ali
EXTN: 270 5560

PRIME MINISTER

WEEKLY REPORT: FINANCIAL MARKETS

Two main developments this week: the dollar continued to strengthen, while sterling showed unexpected weakness yesterday.

There have been no major changes in interest rates, equities or oil prices.

Exchange Markets

Over the week:

- the ERI has fallen by over a point from 92.2 to 90.8;
- the dollar/sterling rate has fallen from $1.726 to $1.686;
- against the DM, sterling has fallen from DM 2.99 to DM 2.956;
- sterling has dropped from second to fourth strongest currency within the ERM.

The dollar has remained strong and the DM weak. There is a continuing perception that the underlying growth of the US economy is firm.

Yesterday sterling fell sharply, first in response to adverse political and economic perceptions, then later as a direct result of Saudis exchanging pounds for dollars. A successful and modest intervention was mounted. Today sterling has remained reasonably firm, just above its central point within the ERM.

Interest rates

UK interest rates are more or less unchanged on last week - market rates are consistent with the 12 per cent base rate. There have been no major developments in interest rates overseas.

Equities Market

Equities have weakened partly on the back of bad results or announced job losses at major companies including ICI, Ford and GEC. The FTSE has fallen by 50 points over the week to 2471.3.

Oil Prices

Oil prices continue broadly stable at $19.75 per barrel.

BHP

BARRY H. POTTER
26 APRIL 1991

c:\wpdocs\economic\Finance.MRM

PRIME MINISTER

WEEKLY REPORT: FINANCIAL MARKETS

The main development this week has been the further strengthening of the dollar. It was as large as it was unexpected. Sterling is on the sidelines, but firm against the DM.

There have been no major developments in interest rates. And equities and oil prices are also more or less unchanged this week.

Exchange Markets

Over the week:

- the ERI has fallen from 93 to 92.2;
- the dollar/sterling rate has fallen from $1.781 to $1.726;
- against the DM, sterling is more or less unchanged at DM 2.99;
- sterling remains the second strongest currency within the ERM.

The dollar has been strong all week, but has been particularly buoyant today. This mainly reflects the perception that underlying growth of the US economy remains strong. So the next movement in interest rates might be upwards.

At the beginning of the week, sterling was threatening to break through the DM3 mark. But it weakened in mid-week, then recovered to end at the same level as last week. The French franc remains the weakest currency.

Interest Rates

There have been no major changes in UK interest rates. UK Money market rates are consistent with the new base rate: it scarcely

moved all week. There have been no major developments in interest rates overseas.

Equities market

Equities have traded quietly. The FTSE index at 2520 is just 6 points below last week's close.

Oil prices

The spot oil price at $19.38 remains close to the $20 benchmark set at the end of the Gulf war.

BHP

BARRY H. POTTER

19 April 1991

C:\economic\markets (pmm)

PRIME MINISTER

WEEKLY REPORT: FINANCIAL MARKETS

The markets reacted favourably to today's half per cent cut in UK base rates (which had been widely anticipated). Indeed, sterling finished up higher against both the DM and the ERI.

Money market rates today were consistent with the new base rate.

The FTSE index has changed little over the week.

Oil prices have hardened fractionally.

Exchange markets

Over the week:

- the ERI has risen from 92.8 to 93.0;
- the dollar/sterling rate is unchanged at $1.781;
- against the DM, sterling has risen from DM2.9787 to DM2.9912 (and was briefly over DM3 this afternoon);
- sterling remains the second strongest currency within the ERM.

Interest rates

Today's cut was widely anticipated. But it has triggered substantial mortgage rate reductions with some societies taking a full one per cent off. All the main banks changed their base rates immediately. Today's three month rate at $11^{15}/_{16}$ths is consistent with the new base rate. Abroad, there have been no significant changes in interest rates.

Equity markets

Since the 7-week boom in equities came to an end in the third week in March, equities have traded at around the 2500 level on the FTSE index. At 2526.1 the index is around 20 points lower than last Friday.

Oil prices

Although oil prices have hardened fractionally over the week, they are still at just over $20 per barrel. The oil price has remained close to $20 per barrel since the end of the Gulf war.

BHP

BARRY H. POTTER

12 April 1991

C:\economic\report (pmg)

PRIME MINISTER

WEEKLY REPORT: FINANCIAL MARKETS

Sterling has weakened further against the dollar over the course of this week but has risen modestly against the DM. Following today's reduction in interest rates, sterling appreciated further against the DM. Money market rates are now fully consistent with the new base rate. The FTSE index has fallen by over 50 points over the week. Much of the fall was recorded today - equities markets reacted adversely to the February rpi figure. Oil prices were broadly unchanged.

Exchange Markets

Over the week:

- the ERI has fallen from 93.0 to 92.7;
- the dollar/sterling rate has fallen from $1.833 to $1.7945;
- against the DM, sterling has firmed from DM2.9272 to DM2.9412;
- sterling has also climbed to the middle of the ERM range: we are now above the French, the Danes and the Irish.

Interest Rates

Having fallen on Monday to a level which signalled a 1% cut in interest rates, money market rates hardened after the Budget. The market judged from the Economic Secretary's comments that no immediate cut in interest rates was likely. Today's three month rate at $12^{5}/_{16}$% is consistent with the new base rate.

While the clearers cut their lending rates today building societies indicated that there would be no reduction in mortgage rates for existing borrowers - though some new borrowers will benefit. Their line is that a further ½% cut would be necessary

to trigger a mortgage rate reduction. Unless further action is taken within days, strictly interpreted that rules out a reduction in mortgage rates next year for those societies which set a new annual rate from 1 April.

Abroad, there have been no significant changes in other countries interest rates.

Equity Markets

The 7 week boom in the FTSE index came to an end this week. Equities were weaker over the whole week but fell by nearly 35 points on the FTSE index today. The relatively poor inflation rate was seen as denying the Government the opportunity for a 1% interest cut.

Oil Prices

An oil price of around $20 per barrel now seems established following the end of the Gulf war. Today's figure of $19.20 is 20 cents below last week.

Barry Potter
22 March 1991

c: weekly (MJ)

(2)

2(A-B)

PRIME MINISTER

WEEKLY REPORT: FINANCIAL MARKETS

Sterling has weakened further against the dollar over the course of this week while holding broadly constant against the DM. Money market rates, however, have continued to soften and are now signalling clearly a further cut in interest rates. The FTSE index continued its meteoric climb breaking through the 2,500 barrier yesterday. Oil prices are broadly unchanged.

Exchange Markets

Over the week:

- the ERI has fallen from 93.6 to 93.0;

- the dollar/sterling rate has fallen from $1.876 to $1.833;

- against the DM, sterling has hardened fractionally from DM2.9248 to DM2.9272;

- sterling remains at the lower end of the ERM range, but above the French franc.

Money Markets

Money markets' rates have now fallen substantially. Today's three-month rate is $12^{1}/_{16}$th per cent. Nonetheless, the Bank lent to the money markets at 13 per cent early today for seven days - signalling no intention to cut rates. US and German rates are broadly unchanged; but the Spanish have cut their interest rates. To the extent that removes the so-called (but in practice non-existent) peseta constraint, it may lead to expectations of a further cut in UK interest rates.

Equity Markets

The boom in the FTSE index has continued into a seventh week. Yesterday the index broke through the 2,500 barrier; and though it dropped back below 2,500 today, it has still put on a further 40 points this week.

B

Oil Prices

Oil prices are more or less unchanged at $19.40. Since the end of the Gulf war, they have fluctuated within a small margin around the $20 mark.

BHP

Barry H Potter
15 March 1991

c: weekly (MJ)

CONFIDENTIAL

PRIME MINISTER

EXCHANGE AND MONEY MARKETS

I attach today's evening report. There are two developments you may like to know more about.

First there have been two rounds of co-ordinated intervention in exchange markets. Both the Germans and the US were very keen to halt the recent rapid appreciation of the Dollar against the DM.

Some $400m was spent early this morning. Treasury were reluctant to be involved, on the grounds that a rise in the Dollar was by no means a bad idea. But they did intervene modestly ($10 million): to show co-operation with other European central banks; to avoid any rift with the Germans (on a day you were visiting Chancellor Kohl); and to preclude any rise in German interest rates, which the Bundesbank were (unconvincingly) threatening.

The second round of intervention after New York opened (again about $400m) was made public. The Central Banks of Canada, Austria, Portugal, the US, Germany, Japan and Britain were all seen to be involved.

Predictably no discernible effect on exchange rates could be identified!

Second UK money markets are pressing for a further cut in UK interest rates. The Bank signalled early today that it did not want a further cut in interest rates (it was hampered by the absence of a money market shortage).

I spoke to Paul Gray (HM Treasury) this evening. He confirmed that money market conditions would allow a further half per cent reduction in UK interest rates, especially with sterling at around DM 2.9250.

CONFIDENTIAL

On the other hand, the Bank should be able to delay a further cut until Budget Day: the clearers are unlikely to act on their own to cut rates; and money market conditions should be more open to bank manipulation over the next few days.

No need for any decisions yet. But you will want to discuss the next move on interest rates when you see the Chancellor either tomorrow or at Wednesday's bilateral.

BHP

BARRY H POTTER
11 March 1991
c\economic\markets (kw)

PRIME MINISTER

WEEKLY REPORT: FINANCIAL MARKETS

Sterling has weakened steadily against the dollar (which had a very good week against all other major currencies) but has improved against the Deutschmark. Money market rates have continued to soften, possibly in anticipation of a further cut in interest rates before or at the Budget. Oil has continued to firm. Equities have clearly been taking steroids!

Exchange Markets

Over the week:

- the ERI has fallen from 93.7 to 93.6;
- the dollar/sterling rate has fallen from $1.902 to $1.87625;
- against the DM, sterling has risen from DM2.9167 to DM2.9248;
- sterling is now above both the French franc and the Danish kroner in the ERM.

Money Markets

Money market rates firmed slightly today but over the week as a whole have moved back from $12^{11}/_{16}$ per cent to 12½ per cent (three month rate). US and German rates are broadly unchanged on last week.

Equity Markets

The recovery in the FTSE index has continued, powerfully, for a sixth week. It has put on 68 points in the last week alone. Today, after a slightly hesitant start, it shrugged off the Ribble Valley result and closed up 17 points.

Oil Prices

Oil prices have hardened very slightly from $19.20 last Friday to $20.05 today.

DOMINIC MORRIS

8 March 1991

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PRIME MINISTER

WEEKLY REPORT: FINANCIAL MARKETS

Sterling has weakened a little since last Friday, both against the DM and more substantially against the dollar. Following the cut in interest rates on Wednesday, money market rates have fallen quickly, though they are still consistent with the present 13 per cent base rate. With the cessation of hostilities in the Gulf War, equities have continued their recovery; but ironically, oil prices have hardened a little.

Exchange markets

Over the week:

- the ERI has fallen from 94.4 to 93.7;
- the dollar/sterling rate has fallen from $1.9525 to $1.902;
- against the DM sterling has fallen from DM 2.9219 to DM 2.9167; that is however above its level of two weeks ago;
- sterling remains just above the French franc at the bottom of the ERM.

Money markets

Money market rates fell following Wednesday's cut in base rates. They are now at 12 $^{11}/_{16}$ per cent (three month rate), consistent with the new base rate. US and German rates are broadly unchanged on last week.

Equity markets

The recovery in the FTSE index has continued for a fifth week. Indeed in the last fortnight the index has put on nearly 100 points. It now stands at 2386.9.

Oil prices

Oil prices have hardened a little from $17.30 last Friday to $19.20 today.

BHP

(BARRY H. POTTER)

1 March 1991

c:\economic\weekly (ecl)

SECRET

Prime Minister ①
& £ a little weaker against DM.
But money market rates already looking for another 1/2% cut.
Oil prices up & equities.
BMP 28/2

FOREIGN EXCHANGE MARKETS

MG EVENING REPORT

Thursday 28 February 1991

Previous close		Today opening 8.30am	Today close 4.00pm	%change since Plaza	%change since Paris	$/currency since 16/10/87	$/currency since 5/10/90
93.8	£ERI	93.8	93.8	-10.2	9.6	2.5	-0.3
1.9165	$/£	1.9200	1.9135	39.9	25.2	15.0	-0.3
2.9160	DM/£	2.9146	2.9171	-25.3	4.5	-2.7	-1.1
1.4231	ECU/£	1.4219	1.4185				
61.3	$ERI		61.5	-37.8	-15.3	-11.6	0.2
1.5215	DM/$	1.5180	1.5245	-46.6	-16.5	-15.3	-0.8
132.25	Yen/$	132.3	132.9	-44.8	-13.4	-6.9	0.4
86.92	Yen/DM	87.15	87.18				

Mar $18.47 Apr $17.80 May $17.20 Spot Brent Mar $19.20 Apr $18.55 May $17.70

STERLING WITHIN THE ERM

Currency	Close	£ deviation from central rate (%)	£ effective limit Upper	£ effective limit Lower	£ limit Upper	£ limit Lower
£/ecu	0.704990	-1.15	-	-	-	-
Ire Punt	1.093428	-0.70	1.156987	1.087966	1.16920	1.03710
BFr/Lfr	60.06476	-1.28	63.55624	59.76469	64.6050	57.3035
Hfl	3.288349	-1.07	3.479496	3.271922	3.52950	3.13050
Dkr	11.21598	-0.33	11.86794	11.15994	11.9479	10.5976
DM	2.91713	-1.11	3.086699	2.902557	3.13200	2.77800
Lit	2178.519	-1.30	2305.153	2167.636	2343.62	2078.79
FFr	9.928194	0.35	10.5053	9.878596	10.50550	9.31800
SPta	181.4954	-5.35	192.0455	180.59	203.600	180.590

POSITION VERSUS WEAKEST CURRENCY

	0 1 2 3 4 5 6	%
PTa	++	5.67
LIt	++++++++++++++++	1.64
BFr/LFr	++++++++++++++++	1.62
DMk	++++++++++++++++	1.46
HFl	++++++++++++++	1.41
IPt	++++++++++	1.05
DKr	+++++++	0.67
GBp	+++	0.35
FFr	.	0.00

	Today	Month so far	Since 1 Apr 90
(a)	13	-157	851
	158	615	528
	171	458	1379

(a) Spot and forward transactions on a done date basis.

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

UK RESERVE TRANSACTIONS ($million)

		End-month position*
Market intervention	(b)	-186
Off-market transactions		3632
TOTAL		3446
Net borrowing		-9
Valuation changes		
TOTAL CHANGE IN RESERVES		3437

*Estimated. On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium		Ireland		Canada	
Denmark		Italy	+202ECU	Japan	
France	-63DM	Portugal		Norway	
Germany		Spain		Sweden	
Holland		Greece	-2, -18DM	US	

MARKET COMMENT

The New York market was quiet but the dollar met some profit-taking in the Far East. In London the dollar firmed quietly over the day, but there was no marked reaction to President Bush's statement proclaiming a ceasefire in the Gulf. Sterling opened lower in London, meeting Far Eastern selling at the outset. Sterling later recovered against the Deutschemark but eased further against a strengthening dollar.

Rates at 17.50Hrs: $1.9110 DM2.9143 DM/$1.5250 ¥/$132.90 ¥/DM87.15.

Chris Bailey on 0702 75811

J.E.Crane.
TEL NO: 270-5558

SECRET

MONEY MARKETS

Thursday 28 February 1991

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	13 1/4	0	6 1/2	0
1 mth	13 3/16	-1/32	6 15/16	-1/16
3 mth	12 23/32	-1/32	6 13/16	0
12 mth	11 3/4	0	7	0

BILLS

	Today	Change
3 Month Treasury Bills	12 - 11 7/8	0

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	556	12 7/8	13 - 12 7/8
Band 2 (15-31 days)	470	12 3/4	12 9/16-17/32
Band 3 (32-63 days)			12 7/32-5/32
Band 4 (64-91 days)			11 31/32-29/32
TOTAL BILLS	1026		
Repurchase	879	on 25,26 & 27 March at 12 7/8-29/32	
Lending	40		
TOTAL OPERATIONS	1945	against shortage	£ 2050 m

US RATES

	3 month CDs	10 yr Tsy Bond	20 yr Tsy Bond
Today/Change	6.75 0.00	7.97 0.00	8.14 0.01

GERMAN RATES

	3 mth I'bank	35 day REPO (20/2)	63 day
Today/Change	8.95 -0.05	8.50	

UK STOCK MARKET

	FT Ind-Ord	FTSE
Today/Change	1910.7 44.2	2380.9 32.9

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.7942	7.7928	-0.0014
Hang Seng Index	3512.79	3538.88	26.09
3 month interbank rate	7	7 3/16	up 3/16

MARKET COMMENT

Despite Gulf ceasefire GILTS opened down 1/8 in shorts and down 3/16 in longs, with sentiment unsettled by thoughts of an early election. Although modest bear closing and the steady tone in other bond markets encouraged a return to overnight levels, the appearance of a large America seller of mediums then pushed market down to a significant support level. Market closed quietly 1/8 above its worst levels. Shorts finished off 1/8-1/4, mediums and longs off 7/16.

IGs swa some 2-way business and were at one stage up 3/8 in sympathy with equities: they closed up 1/4.

EQUITIES opened firmly and continued to advance in heavy turnover.

NAME: James Welch
TEL NO: 270 4614

GILT-EDGED MARKET — Thursday 28 February 1991

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT:TRANSACTIONS	SALES	PURCHASES	Today	FEB	MAR
shorts	7.7	-7.5	0.2	250.7	0.2
mediums	11.2	-5.2	6.0	775.9	6.0
longs and undated		-6.2	-6.2	55.8	-6.2
index-linked	5.4	-4.9	0.5	-4.3	0.5
part paid calls					
CRND:Market Transactions				-4.5	
TOTALS	24.3	-23.8	0.5	1073.6	0.5
Buying-in of next maturities				-0.1	
Redemptions		-0.2		-6.4	
TOTAL TRANSACTIONS WITH MARKET		-24.0	0.5	1066.6	0.5

Sales required to meet *	target of	Future calls £ m	

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts (5 year yields)	10.149	-6	0.05
Mediums (10 year yields)	10.146	-14	0.07
Longs (20 year yields)	9.910	-14	0.05

REPRESENTATIVE STOCKS

	Price (£/32) Today	Price (£/32) Change	Yield (per cent) Today	Yield (per cent) Change
8% Treasury 1992	97 2	2	10.83	-0.05
12% Exchequer 1998	108 23	-14	10.33	0.08
11 3/4% Treasury 2003/07	110 31	-14	10.14	0.06
3% Treasury 1992	93 2	0	8.83	0.01
2 1/2% Index-Linked 2016	115 4	6	4.15	-0.01
2% Index-Linked 1994	117	10	3.68	-0.09

GILT FUTURES

		Open	Close	Volume
Long Contract	March	92.08	91.23	16336

NAME: James Welch
TEL NO: 270 4614

8

PRIME MINISTER

WEEKLY REPORT: FINANCIAL MARKETS

Sterling has remained firm over the last week, appreciating against the DM and falling a little against the dollar. UK money market rates have fallen below 13 per cent - clearly signalling scope for a further half per cent reduction in interest rates. Equities have strengthened while oil prices are steady.

Exchange Markets

Since last Friday:

- the ERI has remained steady at 94.4;

- the dollar/sterling rate has fallen from $1.9715 to $1.9525;

- against the DM, sterling has risen by nearly 2 pfennigs to DM 2.9219;

- sterling remains just above the French franc within the ERM; and against its effective floor, the theoretical room has widened a little to over 3 pfennigs.

Money Markets

Money market rates have fallen gently over the week and at twelve 15/16ths per cent are already towards the lower end of the range, consistent with a 13.5 per cent base rate. Nonetheless, in its money market operations, the Bank lent to the market at 13.5 per cent today. US and German rates are broadly unchanged on last week. Rumours of an imminent cut in Spanish interest rates have made the peseta fractionally weaker; that has increased our effective "floor room" within the ERM band.

Equity Markets

The recovery in the FTSE index has continued for a fourth week. The index has now broken through the 2300 barrier to stand at 2314.3 - a rise of 17 points over the week.

Oil Prices

Today's spot oil price is identical to last Friday's at $18.40.

BHP

BARRY H. POTTER
22 February 1991

C:\ECONOMIC\WEEKLY (DAS)

PRIME MINISTER

EXCHANGE MARKETS

Your manuscript note on last week's weekly report questioned whether the room against the effective exchange rate floor was only 2 pfennigs.

I have confirmed this with the Treasury. The effective limit of sterling within the ERM is shown in the second block in each MG evening report. Last Friday, the effective limit against the deutschmark was DM 2.888; the spot rate against the deutschmark was DM 2.9099 - thus a gap of 2 pfennigs.

The interesting question is whether this effective floor is a genuine constraint. Initially, Treasury seemed to be worried that we would hit this floor. Latterly, they have been much more relaxed.

First, the high effective floor against the DM is of course a reflection of the peseta's strength. As the pound falls, in recent experience, so does the peseta. In other words, as sterling's spot rate falls, so does the effective floor rate, giving room to accommodate sterling comfortably within the ERM.

Secondly, while the Bank initially flirted with the idea of direct intervention against the peseta to prevent the effective floor being a limit, the thinness of the market prevented this. So if we wished to cut interest rates further and sterling threatened to hit the effective limit, the Bank would rely on the ERM rules to intervene.

BHP.

BARRY H. POTTER

18 February 1991

C:\wpdocs\economic\exchange (pmm)

PRIME MINISTER

WEEKLY REPORT: FINANCIAL MARKETS

Despite Wednesday morning's half per cent reduction in UK rates, sterling has appreciated slightly over the last week. UK money market rates have also fallen - almost signalling scope for a further half per cent reduction in interest rates. Equities have strengthened over the week. Oil prices weakened today on Iraq's bogus offer of withdrawal from Kuwait.

Equities Markets

Since last Friday:

- the ERI has risen fractionally from 94.2 to 94.4;
- the dollar/sterling rate has fallen by over a cent from $1.987 to $1.9715;
- against the DM, sterling has risen from DM 2.8961 to DM 2.9099;
- sterling is also no longer at the bottom of the ERM, being fractionally above the French franc; and against its effective floor the theoretical room is 2 pfennigs;
- despite the rate cut, UK Reserves increased over the week.

Money Markets

Following the half per cent reduction in UK rates, money market rates followed immediately. Indeed the three month rate, at $13\frac{1}{8}$ per cent, is already towards the lower end of the range consistent with base rates. Building Societies, however, declined to reduce mortgage rates on the back of the half per cent cut in base rates. US and German rates are broadly unchanged.

Equities Market

The recovery in the FTSE index continues for a third week. After stabilising in mid-January at around 2100, it has now risen to just under 2300 - rising by a further 50 points this week to finish at 2297.

Oil Prices

Today's spot oil price is $18.40 - about a dollar and a half below last Friday's figure. The market gyrated wildly as the Iraqi statement was first made, and then qualified. But the overall impact was to reduce the spot oil price.

BHP

BARRY H POTTER
15 February 1991

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PRIME MINISTER

WEEKLY REPORT: FINANCIAL MARKETS

It has been an eventful few days on the foreign exchanges. Sterling had remained at a broadly satisfactory level - over DM 2.92 until yesterday. With the rise in German interest rates yesterday, and the fall in US rates today, sterling came under downward pressure - see below.

Equities have quietly strengthened over the week. Oil prices are more or less unchanged.

Exchange Markets

Since last Friday:

- the ERI has fallen fractionally from 94.4 to 94.3;

- while the dollar/sterling rate has risen from $1.9595 to $1.978, against the DM the pound has fallen from DM 2.9167 to DM 2.9047 at close in London.

Yesterday sterling lost just over one pfennig against the DM, after German interest rates were raised. Today there was some initial further downward pressure on sterling. That pressure intensified after the US cut its discount rate. The falling dollar dragged sterling down. The Bank intervened first covertly and then overtly both itself and via the Bundesbank (total £430 million). The supporting arrangements under the ERM were not brought into use.

A major reason for the intervention was the danger of sterling reaching its effective lower limit. The peseta was strong over the day. And at the time of writing this note (1930 hours), the pound was at DM 2.8980 against an effective limit of DM 2.884.

I checked with the Treasury. Arrangements are in place to intervene if necessary in New York later tonight and in Tokyo on

Sunday night. I have also arranged for tonight's closing rates in New York to be telephoned through to you.

Money markets

The main movements have of course been the half per cent rise in the German Lombard rate and the half per cent reduction today in the US discount rate. The UK market rates have shown virtually no change over the week despite the changes overseas.

Equities market

Last week the FTSE index stabilised at just over 2100 - after a progressive weakening which began before Christmas. This week the market has quietly gained ground, reaching 2166 today on the back of improved perceptions about the outcome of the war.

Oil prices

Today's spot oil price is $21.20, about fifteen cents higher than last Friday's figure.

BHP

BARRY H. POTTER
1 February 1991

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SECRET

Prime Minister
£ fell & dipped below DM 2.90 in New York

BHP 31/1

FOREIGN EXCHANGE MARKETS

MG EVENING REPORT

Thursday 31 January 1991

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16/10/87	since 5/10/90
94.4	£ERI	94.5	94.2	-9.8	10.0	3.0	0.1
1.9515	$/£	1.9605	1.959	43.3	28.2	17.7	2.1
2.9233	DM/£	2.9221	2.9062	-25.6	4.1	-3.0	-1.4
1.4260	ECU/£	1.4183	1.4217				
60.8	$ERI		60.6	-38.7	-16.5	-12.9	-1.3
1.4980	DM/$	1.4905	1.4835	-48.1	-18.8	-17.6	-3.5
132.10	Yen/$	131.7	131.8	-45.3	-14.2	-7.6	-0.5
88.18	Yen/DM	88.33	88.84				

Feb $21.10 Mar $20.55 Apr $19.95 Spot Brent Feb $20.82 Mar $20.15 Apr $19.55

STERLING WITHIN THE ERM

Currency	Close	% deviation from central rate	£ effective limit Upper	Lower	£ limit Upper	Lower
£/ecu	0.708013	-1.57	-	-	-	-
Ire Punt	1.092277	-0.81	1.160922	1.082695	1.16920	1.03710
BFr/Lfr	59.86704	-1.61	63.6294	59.34185	64.6050	57.3035
Hfl	3.274468	-1.49	3.480253	3.245743	3.52950	3.13050
Dkr	11.18882	-0.57	11.89199	11.09067	11.9479	10.5976
DM	2.906176	-1.49	3.088816	2.880682	3.13200	2.77800
Lit	2182.326	-1.13	2319.474	2163.181	2343.62	2078.79
FFr	9.884134	-0.10	10.5053	9.797426	10.50550	9.31800
SPta	182.187	-4.99	193.6366	180.59	203.600	180.590

POSITION VERSUS WEAKEST CURRENCY

	0 1 2 3 4 5 6	%
PTa	++	4.99
BFr/LFr	++++++++++++++++	1.61
HFl	++++++++++++++++	1.49
DMk	++++++++++++++++	1.49
LIt	++++++++++++	1.13
IPt	++++++++	0.81
DKr	++++++	0.57
FFr	+	0.10
GBp	.	0.00

	Today	Month so far	Since 1 Apr 90
(a)	-30	48	1008
	16	319	-87
	-14	367	921

(a) Spot and forward transactions on a done date basis.

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

UK RESERVE TRANSACTIONS ($million)

	End-month position*
Market intervention (b)	84
Off-market transactions	419
TOTAL	503
Net borrowing	-12
Valuation changes	-130
TOTAL CHANGE IN RESERVES	361

*Estimated. On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-	Ireland	-	Canada	-
Denmark	-	Italy	-	Japan	-
France	-40DM	Portugal	-	Norway	-
Germany	-	Spain	-	Sweden	-
Holland	-	Greece	-	US	-

MARKET COMMENT

In New York the dollar fell on technical selling, reaching DM1.4860 in the Far East before staging a recovery. The dollar traded narrowly for most of the morning ahead of the Bundesbank's council meeting announcement. A rise of 1/2PCT in both the Lombard and Discount rates were announced, to 9PCT and 6 1/2PCT respectively. The dollar lost ground against the Deutschemark in the afternoon. Sterling on the sidelines until the Bundesbank annoucement; it quickly fell to around DM 2.91 1/4 and eased again in mid-afternoon following comments by the Chancellor and Prime Minister on prospects for a reduction in UK interest rates.

Rates at 17.50Hrs: $1.9645 DM2.9025 DM/$1.4775 ¥/$131.30 ¥/DM88.87.

Terry Smeeton on 0732 461216

J.E.Crane.
TEL NO: 270-5558

SECRET

MONEY MARKETS — Thursday 31 January 1991

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	14 1/16	1/8	6 15/16	0
1 mth	14 3/32	1/16	6 7/8	0
3 mth	13 15/16	1/16	7	-1/16
12 mth	12 7/8	3/32	7 1/4	0

BILLS

	Today	Change
3 Month Treasury Bills	13 - 12 7/8	0

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	215	13 7/8	13 7/8-13/16
Band 2 (15-31 days)	470	13 3/4	13 43/64-41/64
Band 3 (32-63 days)			13 1/2-7/16
Band 4 (64-91 days)			13 9/32-7/32
TOTAL BILLS	685		
Repurchase	398	For resale on 25/2 at 13 29/32	
Lending	30		
TOTAL OPERATIONS	1113	against shortage £	1100 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	6.95	-0.05	8.04	0.01	8.22	0.02

GERMAN RATES

	3 mth I'bank		28 day REPO (31/1)	63 day
Today/Change	n/a	0.00	8.50	

UK STOCK MARKET

	FT Ind-Ord		FTSE	
Today/Change	1691.9	5.4	2170.3	17.7

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.793	7.794	0.001
Hang Seng Index	3200.89	3243.3	42.41
3 month interbank rate		6 15/16	down 1/16

MARKET COMMENT

GILTS opened unchanged through the list awaiting Bundesbank's decision. There was some switching shorter but market was broadly at opening levels when decision to raise German interest rates by 1/2% was announced. At first market lost 1/4 but longs rallied with German bund although 1-4 year maturities were subdued as hopes of a cut in sterling interest rates subsided. Market closed with 1-4 year maturities down 1/16, other shorts up 1/4, mediums 3/8 better and longs 1/2-5/8 up.

INDEX LINKED opened unchanged but fell back 1/2 before rallying with conventionals to close unchanged.

EQUITIES opened firmly and progressed further on hopes that German rates wouldn't move. The news of the German increase resulted in sharp fall in active turnover. Prices made partial recovery in afternoon on renewed hopes of UK base rate cut.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4616

GILT-EDGED MARKET — **Thursday 31 January 1991**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT:TRANSACTIONS	SALES	PURCHASES	Today	JAN	FEB
shorts	3.6	-3.8	-0.2	509.9	-0.2
mediums	67.7	-25.0	42.7	172.4	42.7
longs and undated	6.0	-43.1	-37.1	103.1	-37.1
index-linked	13.2	-19.0	-5.8	-54.3	-5.8
part paid calls					
CRND:Market Transactions				-14.0	
TOTALS	90.5	-90.9	-0.4	717.1	-0.4
Buying-in of next maturities				-6.7	
Redemptions		-0.4		-1660.5	
TOTAL TRANSACTIONS WITH MARKET		-91.3	-0.4	-949.7	-0.4

Future calls

Sales required to meet * target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts (5 year yields)	10.645	8	-0.06
Mediums (10 year yields)	10.337	11	-0.06
Longs (20 year yields)	10.068	19	-0.06

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	95 29	-3	11.73	0.09
12% Exchequer 1998	108 4	11	10.45	-0.06
11 3/4% Treasury 2003/07	110 26	19	10.17	-0.08
3% Treasury 1992	92	0	9.40	0.01
2 1/2% Index-Linked 2016	115 6	2	4.14	0.00
2% Index-Linked 1994	116 10	10	3.77	-0.08

GILT FUTURES

		Open	Close	Volume
Long Contract	March	91.25	92.02	20802

NAME: Peter Smith
TEL NO: 270 4616

PRIME MINISTER

WEEKLY REPORT: FINANCIAL MARKETS

Over the week, sterling has risen a little in terms of its effective exchange rate. As last week, while broadly unchanged against the DM, sterling has appreciated against the Dollar. Equities are more or less unchanged over the week. Oil prices have hardened fractionally.

Exchange Markets

Since last Friday:

- The ERI has risen from 94.1 to 94.4;

- the $/£ rate has risen from $1.936 to $1.9595;

- Against the DM, the pound has fluctuated around the DM 2.91 level and finished today at DM 2.9166 - unchanged from last Friday;

- Nonetheless sterling has weakened within the ERM band and is now the second weakest currency; the "floor room", in terms of the effective limit, is now down to just 3 pfennigs.

Money Markets

UK money market rates are more or less unchanged at just under 14 per cent for the three month inter-bank rate. US inter-bank rates have weakened a little; the three month CD rate is now under 7 per cent. German rates are more or less unchanged - though of course the official rate is expected to rise next Thursday.

Equities Markets

The FTSE index has shown relatively little movement over the week. It is more or less unchanged on last week's level at 2103.

Oil Prices

Today's spot oil price is $21.05, 60 cents higher than last Friday's figure.

BHP

BARRY H. POTTER

25 January 1991

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PRIME MINISTER

WEEKLY REPORT: FINANCIAL MARKETS

Over the week sterling has risen a little in terms of its effective exchange rate. It is broadly unchanged against the DM, while appreciating against the Dollar. Yesterday equities reversed their progressive decline since Christmas: as a result, the FTSE index is broadly unchanged over the week. Oil prices, however, dropped sharply, once Gulf hostilities began.

Exchange Markets

Since last Friday:

- The ERI has risen from 93.7 to 94.1 (the same as on the day we joined the ERM);

- The $/£ rate has risen from $1.9065 to $1.9360;

- Against the DM, having reached DM 2.94 earlier this week, the £ fell, after Gulf hostilities opened, to finish at DM 2.9166 (CF DM 2.9198 last Friday);

- Sterling has moved up further within the ERM band and is now third bottom currency; the "floor room", in terms of effective limit, is around 5 pfennigs.

Money Markets

UK money market rates have hardened fractionally. So have US rates (three month CDS). German rates are more or less unchanged.

Equities Markets

Over the first half of the week the FTSE index continued the downward trend that began just before Christmas. But it sprang

up by over 40 points yesterday because of the Gulf hostilities. It finished today at 2103, just 2 points higher than last Friday's close.

Oil Prices

Today's spot oil price is $20.5. That is $10 lower than the price on Wednesday, before hostilities began; and $6 lower than last Friday's close. This is said to indicate confidence in an early Allies victory.

BHP

BHP

18 January 1991

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PRIME MINISTER

WEEKLY REPORT: FINANCIAL MARKETS

Over the week sterling has fallen a little in terms of its effective exchange rate. It has appreciated fractionally against the DM while depreciating against the Dollar. Equities have drifted a little lower. Oil prices, despite the Gulf, have remained roughly stable.

Exchange Markets

Since last Friday:

- The ERI has fallen from 94.2 to 93.7;

- The $/£ rate has fallen from $1.9375 to $1.9065;

- Against the DM, sterling rose fractionally from DM 2.915 to DM 2.92;

- Sterling moved from the lowest currency within the ERM, with its place being taken by the French Franc; the "floor room", in terms of the effective limit, remains at around 5 pfennigs.

Money Markets

UK inter-bank rates are more or less unchanged. Overseas rates are also steady.

Equities Market

The FTSE Index closed at 2101. This represents a 19 points fall over the week. Since Christmas equities have fallen by around 3 per cent.

Oil Prices

Today's spot oil price is $26.2 against a figure of $25.57 last Friday.

BHP

BARRY H POTTER
11 January 1991
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PRIME MINISTER

WEEKLY REPORT: FINANCIAL MARKETS

Over the week sterling has fallen a little in terms of its effective exchange rate. It has appreciated fractionally against the DM while depreciating against the Dollar. Equities have drifted a little lower. Oil prices, despite the Gulf, have remained roughly stable.

Exchange Markets

Since last Friday:

- The ERI has fallen from 94.2 to 93.7;

- The $/£ rate has fallen from $1.9375 to $1.9065;

- Against the DM, sterling rose fractionally from DM 2.915 to DM 2.92;

- Sterling moved from the lowest currency within the ERM, with its place being taken by the French Franc; the "floor room", in terms of the effective limit, remains at around 5 pfennigs.

Money Markets

UK inter-bank rates are more or less unchanged. Overseas rates are also steady.

Equities Market

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Oil Prices

Today's spot oil price is $26.2 against a figure of $25.57 last Friday.

BARRY H POTTER
11 January 1991
c\economic\weekly (kw)

PRIME MINISTER

WEEKLY REPORT: FINANCIAL MARKETS

Since Monday, sterling has appreciated considerably, both within the ERM against the DM, and against the dollar. Equities have fallen a little over the week. But oil prices have also fallen - by around $3 per barrel.

Exchange Markets

Since Monday:

- the ERI has risen from 93.2 to 94.2; this takes it back to the effective rate when the UK joined the ERM on 5 October;

- the $/£ rate has risen from $1.915 to $1.9375;

- against the DM, sterling rose to DM 2.915 from DM 2.877;

- the United Kingdom's effective limit against the DM, however, has lifted slightly to DM 2.85: nonetheless the "floor room" is rather higher than it was at the end of last month.

Money Markets

UK interbank rates have eased a little over the week. But rates overseas have also fallen. The three month CD rate in the US fell by a further quarter of a point to 7.25 per cent; and there have been cuts in commercial bank lending rates. In Germany interbank rates have also eased.

Equities Market

The FTSE index closed today at 2126. That represents a 17 points fall over the week, but around a 40 points fall since just before Christmas.

Oil Prices

Today's spot oil price is $25.57, about $3 below the figure on Monday.

BHP

BARRY H POTTER
4 January 1991

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SECRET

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MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Monday 31 December 1990

Previous close		Today opening 8.30am	Today close 4.00pm	%change since Plaza	%change since Paris	%change since 16/10/87	%change since 5/10/90
93.2	£ERI	93.4	93.7	-10.2	9.5	2.4	-0.4
1.9147	$/£	1.9180	1.9295	41.1	26.3	15.9	0.6
2.8768	DM/£	2.8818	2.8875	-26.1	3.4	-3.7	-2.1
1.4020	ECU/£	1.4095	1.4084				
61.5	$ERI		61.4	-37.9	-15.4	-11.8	0.0
1.5025	DM/$	1.5025	1.4965	-47.6	-18.1	-16.9	-2.6
135.47	Yen/$	135.9	135.75	-43.6	-11.6	-4.9	2.5
90.16	Yen/DM	90.42	90.71				

Jan $27.25 Feb $26.60 Mar $25.60 Spot Brent Jan $28.35 Feb $27.70 Mar $26.70

STERLING WITHIN THE ERM

Currency	Closing/£	% deviation from central rate	£ effective limit Upper	£ effective limit Lower	£ limit Upper	£ limit Lower
£/ecu	0.710027	-1.88	-	-	-	-
Ire Punt	1.085208	-1.45	1.159893	1.061321	1.16920	1.03710
BFr/Lfr	59.65049	-1.96	63.7557	58.33753	64.6050	57.3035
Hfl	3.256031	-2.04	3.480114	3.184363	3.52950	3.13050
Dkr	11.14189	-0.98	11.90869	10.89665	11.9479	10.5976
DM	2.887496	-2.12	3.086217	2.82394	3.13200	2.77800
Lit	2177.923	-1.33	2327.61	2129.985	2343.62	2078.79
FFr	9.828873	-0.66	10.5053	9.61253	10.50550	9.31800
SPta	184.6531	-3.70	197.3611	180.59	203.600	180.590

POSITION VERSUS WEAKEST CURRENCY

	0 1 2 3 4 5 6	%
PTa	++++++++++++++++++++++++++++++++++++	3.70
DMk	++++++++++++++++++++	2.12
HFl	++++++++++++++++++++	2.04
BFr/LFr	++++++++++++++++++++	1.96
IPt	++++++++++++++++	1.45
LIt	++++++++++++++	1.33
DKr	++++++++++	0.98
FFr	+++++++	0.66
GBp	.	0.00

	Today	Month so far	Since 1 Apr 90
(a)	8	-319	960
	10	190	-307
	18	-129	653

(a) Spot and forward transactions on a done date basis.

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

UK RESERVE TRANSACTIONS ($million)

	End-month position*
Market intervention (b)	-289
Off-market transactions	156
TOTAL	-133
Net borrowing	-151
Valuation changes	
TOTAL CHANGE IN RESERVES	-284

*Estimated. On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium		Greece		Norway	-34
Canada		Holland		Portugal	
Denmark	+27(DM)	Ireland		Spain	
France		Italy	-26(Ecu),-99(DM)	Sweden	
Germany		Japan		US	

MARKET COMMENT

The foreign exchange markets were quiet overnight. Some commercial demand in London during the morning pushed sterling up on both the mark and dollar in very thin trading. The market died away in the afternoon in advance of the New Year holiday with sterling retaining its gains.

Rates at 1720 $/£1.9295 DM/£2.8836 DM/$1.4945 Y/$135.75 Y/DM90.83

Terry Smeeton on 0732 461216

M Evershed
TEL NO: 270-5561

M. Tie

SECRET

GILT-EDGED MARKET — **Monday 31st December 1990**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	SALES	PURCHASES	TODAY	NOV	Dec
shorts	5.8	-3.2	2.6	6.5	2.6
mediums		-9.0	-9.0	72.0	-9.0
longs & undated	6.7		6.7	48.5	6.7
index linked	7.8	-8.1	-0.3	1.9	-0.3
part paid calls					
CRND: Market transactions				-2.9	
TOTALS	20.3	-20.3	nil	126.0	nil
Buying in of next maturities				-3.0	
Redemptions				-13.3	
TOTAL TRANSACTIONS WITH MARKET		-20.3		109.7	

Future calls

Sales required to meet * target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	11.155		
Mediums	10.985	-4	0.02
Longs	10.529	-6	0.02

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	95 26	1	11.59	-0.01
12% Exchequer 1998	104 12	-4	11.15	0.03
11 3/4% Treasury 2003/07	106	-6	10.85	0.03
3% Treasury 1992	91 22	2	9.29	-0.03
2 1/2% Index-Linked 2016	114 26	0	4.15	0.00
2% Index-Linked 1994	115 10	-2	4.02	0.02

GILT FUTURES

		Open	Close	Volume
Long Contract	March	88.08	88.01	1039

NAME: Peter Smith
TEL NO: 270 4616

MONEY MARKETS **Monday 31st December 1990**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	14	-1/4	7 13/16	1/8
1 mth	14 5/16	1/16	7 9/16	0
3 mth	14 1/32	1/32	7 1/2	0
12 mth	12 7/8	1/16	7 1/2	0

BILLS

	Today	Change
3 Month Treasury Bills	13 1/4 -	13 1/8 1/16

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	563	13 7/8	14 1/8-14
Band 2 (15-31 days)	6	13 3/4	13 3/4-11/16
Band 3 (32-63 days)			13 5/8-9/16
Band 4 (64-91 days)			13 13/32-11/32
TOTAL BILLS	569		
Repurchase			
Lending	10		
TOTAL OPERATIONS	579	against shortage	£ 800 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	7.50	-0.50	8.13	0.04	8.31	0.06

GERMAN RATES

	3 mth I'bank	27 day REPO (27/12)	
Today/Change	9.30 0.00	8.55-8.60	8.75-8.85

UK STOCK MARKET

	FT Ind-Ord		FTSE	
Today/Change	1673.7	-11.5	2143.5	-16.9

HONG KONG	Previous	Today	Change
Hong Kong Dollar	7.7993	7.8005	0.0012
Hang Seng Index	3053.73	3024.55	-29.18
3 month interbank rate	8 1/2	8 1/8	down 3/8

MARKET COMMENT

GILTS opened unchanged in shorts, 1/8 lower in mediums & 3/16 softer in longs. Market closed around these levels after a quiet morning,the pit closing at 12.30pm.

EQUITIES drifted quietly after a profits warning from GRE.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4616

PRIME MINISTER

WEEKLY REPORT: FINANCIAL MARKETS

Over the last week sterling has fallen. But it has been a week of two halves. Initially sterling continued down against the DM but strengthened from Thursday onwards. Latterly sterling has lost ground against the dollar. Equities have shown little change over the week. Oil prices have ended this week a little lower.

Exchange markets

Over the last week:

- the ERI fell from 93.5 to 92.8;

- the $/£ rate having remained at around 1.93 until yesterday, fell to 1.886 today;

- against the DM, sterling weakened to just below DM 2.85 on Thursday morning; but it has now strengthened back to DM 2.878, more or less unchanged on last Friday's figure;

- the UK's effective limit against the DM is still at around DM 2.82.

Money markets

UK market interest rates are more or less unchanged this week. The market is no longer looking for an imminent cut in interest rates.

Overseas, US rates have fallen further to 6½ per cent and may now have "bottomed out". There was no move on German rates.

Equities market

The FT index closed today at 2164, about 5 points below last

Friday's level.

Oil prices

Today's spot oil price is $27.05, around $2 below Friday's figure. For the last three weeks, spot oil prices have been in the range $26 to £28.50.

BHP

(BARRY H. POTTER)

21 December 1990

c:\economic\markets

PRIME MINISTER

WEEKLY REPORT: FINANCIAL MARKETS

Over the last week sterling has remained steady overall. But it has fallen fractionally against the DM: it remains the lowest currency within the ERM and at its lowest level since joining. Equities fell a little over the week. Oil prices are more or less unchanged.

Exchange Markets

Over the last week:

- the ERI fell in the first few days but has since recovered back to last Friday's level of 93.5;

- the $/£ rate has remained at around $1.94;

- but against the DM, sterling slid fractionally, reaching DM2.879 against DM2.882 last week (though it was lower still earlier this week);

- the UK's effective limit against the DM however has risen slightly to DM2.84 against DM2.825 last week: so the "floor room" is now reduced to around 4-5 pfennigs.

Money Markets

UK market interest rates have hardened this week. The market now accepts no cut in interest rates is imminent. Thus the three month inter-bank rate has risen from under 13½% to nearly 14%, while the three month Treasury bill rate is back at over $13^{3}/_{16}$%.

Overseas there has been little movement in either German or US rates.

Equities Market

The FTSE index closed today at 2169 - some 14 points below last Friday's level. Worldwide markets are relatively quiet, though there has been some easing particularly on Wall Street.

Oil Prices

Today's spot oil prices is $28.20, about 20 cents below last Friday's figure. But in the middle of the week the spot price fell briefly to under $26.

BHP

Barry H. Potter
14 December 1990
c: Market (MJ)

(2)

PRIME MINISTER

FINANCIAL MARKETS: WEEKLY REPORT No. PL. keep the weekly report.

It has been my practice to give the Prime Minister a weekly note on financial markets each Friday (as well as the daily evening reports). It seemed to put seven days events in slightly better perspective.

But I can drop the weekly report or change its coverage in any way you would like.

BHP

BARRY H POTTER
7 December 1990

Prime Minister
I had solved the mystery of 'Bank says no interest rate cuts for a fortnight". There has been downward pressure on rates which the authorities are for the time being resisting (the 3 month rate is under 13½%). The Bank operated through 2-30 lending at 14% for 17 days, as it has now done on each of the last two Fridays. This has been written up as 'no cuts for a fortnight'. It does not, however, prevent the authorities acting when they judge right.

AT
7/12

Thank you. f.

but how, I wonder, did O/E brief to produce such stories??

PRIME MINISTER

WEEKLY REPORT: FINANCIAL MARKETS

Over the last week sterling has fallen. It remains the lowest currency within the ERM. Moreover it is now at its lowest level since joining the ERM. Equities had a good week, rising by nearly 30 points on the FTSE index. And oil prices have fallen sharply following the proposed release of the hostages in Iraq and Kuwait.

Exchange Markets

Over the last week:

- the ERI has fallen from 94 to 93.5;

- the dollar/sterling rate has risen from $1.937 to $1.9475;

- but against the DM sterling has fallen by 3 pfennigs to DM 2.8817 - its lowest level since joining the ERM;

- however, the DM has been strong following Chancellor Kohl's re-election; and the Spanish peseta has weakened against the DM;

- accordingly our effective limit against the DM has fallen from DM 2.85 last week to DM 2.825 this week.

Money Markets

UK market interest rates have continued to ease this week. The three month inter-bank rate has fallen by $^{1}/_{8}$ to $13^{7}/_{16}$ while the three month Treasury bill rate remains just under 13 per cent. In short, markets are still looking for a cut in UK interest rates.

Overseas the German three month inter-bank rate has continued to firm marginally and is now 9.20 per cent. On the other hand US rates are weakening: the three months CD rate has dropped by one per cent over the last week to 7.85 per cent.

Equities Market

The FTSE index closed at 2183 today - some 34 points above last Friday's level.

Oil Prices

Today's spot oil prices is $28.40, nearly $5 below last Friday's figures. This reflects the positive market response to the proposed release of the hostages.

BHP

BARRY H POTTER
7 December 1990

SECRET

Prime Minister
RHP

(1)

30/11

FOREIGN EXCHANGE MARKETS

MG EVENING REPORT

Friday 30 November 1990

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16/10/87	since 5/10/90
94.5	£ERI	94.0	94	-10.0	9.8	2.7	-0.1
1.9645	$/£	1.9330	1.937	41.6	26.7	16.4	1.0
2.9236	DM/£	2.9159	2.9123	-25.4	4.3	-2.8	-1.2
1.4257	ECU/£	1.4160	1.4217				
60.5	$ERI		61.2	-38.1	-15.7	-12.1	-0.3
1.4882	DM/$	1.5085	1.5035	-47.4	-17.7	-16.5	-2.2
131.15	Yen/$	133.4	133.62	-44.5	-13.0	-6.4	0.9
88.13	Yen/DM	88.43	88.87				

Dec $34.62 Jan $32.95 Feb $31.50 Spot Brent Dec $33.60 Jan $32.00 Feb $30.55

STERLING WITHIN THE ERM

Currency	Closing/£	% deviation from central rate	£ effective limit Upper	£ effective limit Lower	£ limit Upper	£ limit Lower
Ire Punt	1.091452	-0.88	1.1664	1.067198	1.16920	1.03710
BFr/Lfr	60.11479	-1.20	64.24279	58.77894	64.6050	57.3035
Hfl	3.283215	-1.22	3.508668	3.210256	3.52950	3.13050
Dkr	11.16099	-0.81	11.9274	10.91297	11.9479	10.5976
DM	2.912279	-1.28	3.112261	2.847563	3.13200	2.77800
Lit	2186.873	-0.92	2337.042	2138.277	2343.62	2078.79
FFr	9.830275	-0.64	10.5053	9.61183	10.50550	9.31800
SPta	184.6929	-3.68	197.3755	180.59	203.600	180.590

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 90
8	-208	1279
13	182	-497
21	-26	782

(a) Spot and forward transactions on a done date basis.

(b)

	Estimated end-month position*
Market intervention	-163
Off-market transactions	148
TOTAL	-15
Net borrowing	-17
Valuation changes	
TOTAL CHANGE IN RESERVES	-32

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

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-	Greece	-	Norway	+24, +29£, +21ECU
Canada	-	Holland	-	Portugal	-
Denmark	-	Ireland	-36	Spain	-
France	-	Italy	-	Sweden	+195, +20DM
Germany	-	Japan	-	US	

MARKET COMMENT

The dollar was exceptionally firm overnight following the passage of the UN Security Council resolution setting a deadline of 15 January for Iraqi troops to quit Kuwait. The dollar has been steady in London at the higher levels but moved further up against the Yen at the close. Sterling was lower at the opening against the stronger dollar and met early selling from the Middle East and Switzerland. It improved slightly by noon but met selling from the US in the afternoon.

Rates at 18.00Hrs: $1.9425 DM2.9108 DM/$1.4985 ¥/$132.65 ¥/DM88.52.

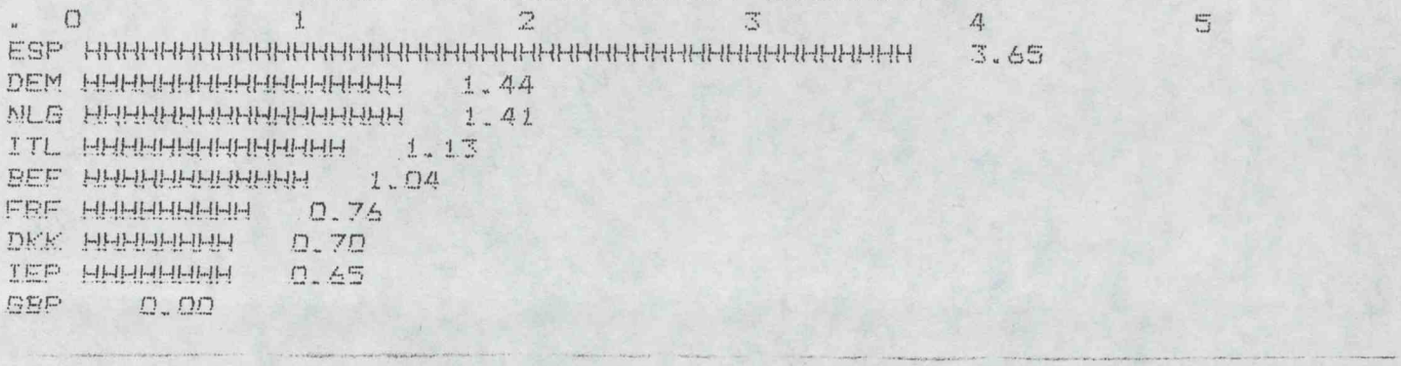
Terry Smeeton on 0732 461216

J.E.Crane.
TEL NO: 270-5558

SECRET

1805 EUROPEAN MONETARY SYSTEM EMSB

POSITION VERSUS WEAKEST CURRENCY



MONEY MARKETS — **Friday 30th November 1990**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	14 1/4	-1/16	7 5/8	-1/16
1 mth	14 1/16	-1/16	9 11/16	5/8
3 mth	13 9/16	0	8 5/16	-1/8
12 mth	12 3/8	-1/16	8 1/16	-1/16

BILLS

	Today	Change
3 Month Treasury Bills	12 7/8 - 12 13/16	1/16

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	107	13 7/8	14 3/16-1/16
Band 2 (15-31 days)	349	13 3/4	13 21/32-41/64
Band 3 (32-63 days)			13 5/16-1/4
Band 4 (64-91 days)			12 15/16-7/8
TOTAL BILLS	456		
Repurchase		2.30 lending at 14% for 14 days	
Lending	1400		
TOTAL OPERATIONS	1856	against shortage £	1900 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.80	0.40	8.34	0.05	8.50	0.05

GERMAN RATES

	3 mth I'bank		35 day REPO (21/11)	63 day
Today/Change	9.10	-0.10	8.0	

UK STOCK MARKET

	FT Ind-Ord		FTSE	
Today/Change	1682.8	8.0	2149.4	13.8

HONG KONG	Previous	Today	Change
Hong Kong Dollar	7.7955	7.7995	0.004
Hang Seng Index	2978.35	2965.06	-13.29
3 month interbank rate	8 3/8	8 5/16	down 1/8

MARKET COMMENT

GILTS opened slightly lower - 1/16 down in shorts,1/8 softer in mediums & longs, after early selling in Japan. This weakness was short lived & there was some good demand for medius & longs as yesterday's rally was resumed. At best market was 5/8 better but slipped back on profit taking. Shorts lost more ground after the 2.30 lending but longer maturities followed the US market after Bush's comments on Iraq. Market closed 1/8 down in shorts, 1/4 up in mediums & 3/8 up in longs.

INDEX LINKED opened unchanged & closed 1/8 down.

EQUITIES closed on day's best levels on news that Baker may go to Iraq.

Maureen Anning

NAME: Maureen Anning
TEL NO: 270 5186

GILT-EDGED MARKET — Friday 30th November 1990

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	0 December	
Gross sales shorts	20.7	580.2	20.7
Gross sales mediums	59.8	657.3	59.8
Gross sales longs and undated	47.2	598.7	47.2
Gross sales index-linked	1.1	112.4	1.1
Part paid calls			
Buying in non-next maturities shorts	-19.5	-465.4	-19.5
Buying in non-next maturities mediums	-61.2	-591.0	-61.2
Buying in non-next maturities longs	-37.1	-387.4	-37.1
Buying in non-next maturities index-linked	-0.9	-130.4	-0.9
CRND: Market transactions	0.4	-4.7	0.4
TOTAL 'GROSS' SALES	10.5	185.3	10.5
Buying in of next maturities	-1.0	-5.6	-1.0
Redemptions	-2.9	-491.4	
TOTAL TRANSACTIONS WITH MARKET	6.6	-311.7	9.5

			Future calls	
Sales required to meet	*	target of	£ m	

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Yield (%)
Shorts	10.921	-4	0.03
Mediums	10.971	8	-0.04
Longs	10.583	12	-0.04

REPRESENTATIVE STOCKS

	Price (£/32) Today	Price (£/32) Change	Yield (per cent) Today	Yield (per cent) Change
8% Treasury 1992	96 6	0	11.07	0.02
12% Exchequer 1998	105 11	7	10.98	-0.04
11 3/4% Treasury 2003/07	106 10	12	10.70	-0.14
3% Treasury 1992	92 28	-4	8.06	0.12
2 1/2% Index-Linked 2016	114 28	-6	4.16	0.01
2% Index-Linked 1994	116 10	0	3.79	0.02

GILT FUTURES

		Open	Close	Volume
Long Contract	December	87.17	87.31	23361
Short Contract	*			

NAME: Maureen Anning
TEL NO: 270 5186

PRIME MINISTER

WEEKLY REPORT: EXCHANGE, MONEY AND EQUITIES MARKETS

Sterling has fallen over the week within the ERM. It is below its central rate; and it remains the weakest of the ERM currencies. Equities have risen about 1 per cent. And oil prices have fallen back.

Over the week:

Exchange markets

- the ERI has fallen from 94.1 to 93.8;

- the dollar/sterling rate is more or less unchanged at $1.9665;

- but against the DM, sterling has fallen by a further PF 3 to DM 2.89;

- however the Spanish peseta, which remains the top currency within the ERM, has itself weakened against the DM: so our effective limit against the DM has fallen from DM 2.88 last week to DM 2.83.

Money markets

- UK money market rates are more or less unchanged this week: the three month inter-bank rate is 13 $^{23}/_{32}$nds; and the three month Treasury bill rate is 13 $^{1}/_{8}$;

- in Germany the three month inter-bank rate has again hardened fractionally to 8.9 per cent;

- UK long gilt yields are unchanged at 11.1 per cent.

Equities market

The FTSE index closed at 2068 today - about 28 points higher than last week.

Oil prices

The spot oil price today is $30.10 - nearly $5 below last Friday's figure (although the spot market remains extremely volatile).

BHP

BARRY H. POTTER
16 November 1990

c:\economic\weekly (ecl)

PRIME MINISTER

WEEKLY REPORT: EXCHANGE, MONEY AND EQUITIES MARKET

Sterling has strengthened a little over the week against the dollar. Within the ERM it remains below its central rate; and it is the weakest of the currencies. Equities are fractionally higher than last Friday. Oil prices are little changed.

Over the week:

Exchange Markets

- the ERI has risen from 94.1 to 94.4;
- the dollar/sterling rate has risen from $1.952 to $1.9657;
- against the Deutschmark, sterling has fallen fractionally to DM 2.9283.

Money Markets

- UK interest rates have hardened fractionally over the week: the three month inter-bank rate is now $11^{25}/_{32}$ (up $^{3}/_{32}$); and the three month Treasury Bill rate is still at $13^{1}/_{8}$;
- in Germany, the three month-inter bank rate has hardened fractionally to 8.75 per cent;
- UK long gilt yields are unchanged at 11.1 per cent.

Equities Market

The FTSE index closed today at 2040.6 - ten points above last week's figure.

Oil Prices

The spot oil price today is $35.45, 70 cents above last Friday's figure.

BHP

BARRY H POTTER

9 November 1990

c:\economic\weekly.eam

Prime Minister
Is a little cover against DM.

SECRET

Tomorrow will be interesting on £:DM.
BHP 31/10

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Wednesday 31 October 1990

Previous close		Today opening 8.30am	Today close 4.00pm	%change since Plaza	%change since Paris	%change since 16/10/87	%change since 5/10/90
94.8	£ERI	94.8	94.5	-9.5	10.4	3.3	0.4
1.9432	$/£	1.9480	1.9445	42.2	27.2	16.8	1.4
2.9634	DM/£	2.9610	2.9492	-24.5	5.7	-1.6	0.0
1.4382	ECU/£	1.4364	1.4329				
61	$ERI		60.9	-38.4	-16.1	-12.5	-0.8
1.5250	DM/$	1.5200	1.5167	-46.9	-17.0	-15.8	-1.3
129.35	Yen/$	129.4	129.55	-46.2	-15.6	-9.2	-2.2
84.82	Yen/DM	85.14	85.42				

Nov $35.60 Dec $34.65 Jan $33.30 Spot Brent Nov $34.50 Dec $33.50 Jan $32.30

STERLING WITHIN THE ERM

Currency	Closing/£	% deviation from central rate	£ effective limit Upper	£ effective limit Lower	£ limit Upper	£ limit Lower
Ire Punt	1.100452	-0.07	1.166518	1.076364	1.16920	1.03710
BFr/Lfr	60.69756	-0.24	64.34157	59.36891	64.6050	57.3035
Hfl	3.324122	0.01	3.523687	3.251358	3.52950	3.13050
Dkr	11.27129	0.17	11.94797	11.02456	11.9479	10.5976
DM	2.949223	-0.03	3.126281	2.884665	3.13200	2.77800
Lit	2209.924	0.12	2342.598	2161.549	2343.62	2078.79
FFr	9.880004	-0.14	10.47315	9.663734	10.50550	9.31800
SPta	184.6302	-3.71	195.7146	180.5887	203.600	180.590

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 90
0	-607	1487
32	369	-679
32	-238	808

(a) Spot and forward transactions on a done date basis.

(b)

	Estimated end-month position*
Market intervention	-586
Off-market transactions	367
TOTAL	-219
Net borrowing	-31
Valuation changes	-127
TOTAL CHANGE IN RESERVES	-377

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

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-	Greece	-	Norway	+3
Canada	-	Holland	-	Portugal	-
Denmark	-	Ireland	-	Spain	-
France	-	Italy	+37ECU	Sweden	+730, +237DM, +15HFl
Germany	-	Japan	-	US	-

MARKET COMMENT

In New York the dollar was slightly easier on further profit-taking following yesterday's new home sales figure. It steadied in the Far East on a newswire report that the White House is not totally unconcerned about the dollar's recent fall. The dollar fell in the afternoon following the Chicago Purchasing Managers' Association survey figure for October of 46.8 (a score below 50 indicates pessimism for economy). Sterling was steady overnight but met selling from the Middle East on London's opening. Further sales followed based on the CBI survey results which generated speculation about a further base rate cut. Sterling retained a soft tone in the afternoon.

Rates at 17.47Hrs: $1.9460 DM2.9492 DM/$1.5155 ¥/$129.73 ¥/DM85.60.

Terry Smeeton on 0732 461216

J.E.Crane.
TEL NO: 270-5558

SECRET

1755 EUROPEAN MONETARY SYSTEM EMSB

POSITION VERSUS WEAKEST CURRENCY

```
.  0          1          2          3          4          5
ESP HHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHHH   3.95
BEF HHHHHH   0.53
FRF HHHHH   0.39
DEM HHH   0.25
IEP HHH   0.24
NLG HHH   0.22
GBP HH   0.19
ITL H   0.09
DKK    0.00
```

MONEY MARKETS — Wednesday 31st October 1990

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	14 1/16	3/32	7 13/16	0
1 mth	13 7/8	-3/32	7 7/8	0
3 mth	13 1/2	-7/32	8	0
12 mth	12 11/16	-5/32	8 1/16	1/16

BILLS

	Today	Change
3 Month Treasury Bills	13 1/8 - 13	

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	226	13 7/8	13 15/16-13/16
Band 2 (15-31 days)	451	13 3/4	13 11/16-43/64
Band 3 (32-63 days)			13 1/2-3/8
Band 4 (64-91 days)			13 1/4-1/8
TOTAL BILLS	677		
Repurchase			
Lending	495		
TOTAL OPERATIONS	1172	against shortage	£ 1200 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.05	0.00	8.68	-0.02	8.84	-0.02

GERMAN RATES

	3 mth I'bank		33 day REPO (31/10)	63 day
Today/Change	8.60	0.00	8.0-8.50	8.25-8.45

UK STOCK MARKET

	FT Ind-Ord		FTSE	
Today/Change	1592.9	17.6	2050.3	16.4

HONG KONG	Previous	Today	Change
Hong Kong Dollar	7.7907	7.7915	0.0008
Hang Seng Index	3011.65	2990.96	-20.69
3 month interbank rate		7 7/8	down 1/8

MARKET COMMENT

GILTS opened quietly, 1/16 lower in conventionals. The market improved on rumours of an imminent cut in interest rates and gained further ground after statements from Iraq suggesting a 'negotiated settlement'. It closed at the day's best levels, with shorts up 1/4 and mediums and longs 1/2 better.

INDEX-LINKED opened broadly unchanged but pushed on through the day to close 1/4 firmer.

EQUITIES opened a little better and progressed firmly on hopes of an early cut in interest rates and on Marks and Spencer's result. Reuters were marked down heavily on renewed fears of delays relating to their new Dealing 2000 system.

Mike Bolton

NAME: Michael Bolton
TEL NO: 270 4614

GILT-EDGED MARKET — **Wednesday 31st October 199**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	October 0	November
Gross sales shorts	19.2	878.0	19.2
Gross sales mediums	51.9	1038.4	51.9
Gross sales longs and undated	8.2	459.7	8.2
Gross sales index-linked	6.1	262.8	6.1
Part paid calls			
Buying in non-next maturities shorts	-19.0	-805.8	-19.0
Buying in non-next maturities mediums	-36.8	-838.6	-36.8
Buying in non-next maturities longs	-20.1	-477.0	-20.1
Buying in non-next maturities index-linked	-5.4	-287.5	-5.4
CRND: Market transactions		-22.3	
TOTAL 'GROSS' SALES	4.1	207.7	4.1
Buying in of next maturities		-1.6	
Redemptions	-9.7	-1443.9	
TOTAL TRANSACTIONS WITH MARKET	-5.6	-1237.8	4.1

Future calls

Sales required to meet * target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	11.412	8	-0.06
Mediums	11.617	16	-0.08
Longs	11.074	16	-0.05

REPRESENTATIVE STOCKS

	Price (£/32) Today	Price (£/32) Change	Yield (per cent) Today	Yield (per cent) Change
8% Treasury 1992	95 16	9	11.44	-0.22
12% Exchequer 1998	102 22	19	11.48	-0.12
11 3/4% Treasury 2003/07	102 23	16	11.37	-0.06
3% Treasury 1992	90 10	4	9.63	-0.07
2 1/2% Index-Linked 2016	110 28	8	4.31	-0.01
2% Index-Linked 1994	114 16	4	3.98	-0.02

GILT FUTURES

		Open	Close	Volume
Long Contract	December	84.11	84.27	22823
Short Contract	*			

NAME: Michael Bolton
TEL NO: 270 4614

PRIME MINISTER

WEEKLY REPORT: EXCHANGE, MONEY AND EQUITIES MARKET

Sterling has weakened this week. Within the ERM it is now below its central rate. Equities have also fallen by about 1½ per cent over the week. Oil prices have shown relatively little change but are marginally lower than last Friday.

Over the week:

Exchange Markets

- the ERI has fallen from 94.8 to 94.1;
- The dollar/sterling rate has dropped a little from $1.954 to $1.952;
- Against the Deutschmark, sterling has fallen by 3 Pfennigs from Dm 2.9646 to Dm 2.9303 - despite covert Bank support.

Money Markets

- UK interest rates have again eased marginally this week: the three month inter bank rate is now 13 11/16 per cent; and the three month Treasury bill rate is down to 13 1/8ths;
- but in Germany the three month inter bank rate has risen from 8 per cent to 8.65 per cent;
- US rates fell by a quarter of a percent;
- UK long gilt yields are unchanged at 11.1 per cent.

Equities market

The FTSE index closed today at 2030.7 - 30 points lower than last Friday and 55 points down over the last fortnight.

Oil Prices

The spot oil price today at $34.75 is around $1½ lower than last Friday.

BHP

BARRY H. POTTER

2 November 1990 (c:\economic\markets (kk))

PRIME MINISTER

WEEKLY REPORT: EXCHANGE MONEY AND EQUITIES MARKET

The pound has strengthened a little within the ERM over the week. It is back up above its central rate. Equities were reasonably strong in the first half of the week but have fallen to below last Friday's level on poor ICI results and growing concern about the Gulf. Last week's substantial easing in world spot oil prices has partially reversed - again reflecting heightened Gulf tension.

Over the week:

Exchange markets

- the ERI has risen from 94.5 to 94.8;
- the dollar/sterling rate has eased from $1.9605 to $1.954;
- against the Deutschmark, sterling has risen fractionally from just under DM 2.95 to DM 2.9646.

Money markets

- UK interest rates have eased marginally: the three month inter-bank rate is now $13^{25}/_{32}$; the three month Treasury rate is $13^{7}/_{32}$;
- there have been no significant changes to German, US or Japanese interest rates;
- long gilt yields are more or less unchanged at 11.11 per cent.

Equities market

The FTSE index closed today at 2063.1: that is 25 points lower than last Friday. Earlier recovery was undermined by the poor ICI results and growing worries about the Gulf (reflected also in the Tokyo and New York markets).

Oil Prices

The spot oil price today is nearly $3 higher than last Friday at $36.15. Again, this reflects perceptions of the Gulf. But at the retail level, petrol prices have continued to ease.

BHP

BARRY H POTTER

26 October 1990

PRIME MINISTER

WEEKLY REPORT, EXCHANGE MONEY AND EQUITIES MARKET

The pound has weakened a little further within the ERM. It is now below its central rate. Equities have also weakened but only a little. The main news is a more substantial easing in world spot oil prices.

Over the week:

Exchange markets

- the ERI has fallen from 96.0 to 94.5;
- the dollar/sterling rate has fallen from $1.9735 to $1.9605;
- against the Deutschmark, sterling has fallen from around 3 DM to just below its central level of DM 2.95.

Money Markets

- UK interest rates have firmed and are now fully consistent with a 14 per cent base rate: the three month interbank rate is now at 13 27/32; the three month Treasury rate at 13 5/16 per cent;
- there has been no change to German, US or Japanese interest rates;
- long gilt yields are ~~frequently~~ fractionally higher at 11.126 per cent.

Equities Market

There has been relatively little movement in the equities market over the week. The FTSE index closed today at 2089 - 11 points lower than last Friday.

Oil Prices

The spot oil price is down to $33 today compared to nearly $40 last week. At the retail level petrol prices were reduced this week.

BHP

BARRY H. POTTER

19 October 1990 (C:\economic\market.kk)

PRIME MINISTER

WEEKLY REPORT: EXCHANGE MONEY AND EQUITIES MARKETS

The pound has had a relatively quiet first week in the ERM. After the initial rise to the peak rate of DM 3.05, it fell back on Monday to around DM 3.02. The rate has steadied at around DM 3.00 over the last two days. The dollar remains weak. Equities have also fallen well back from the headline figures reached immediately after ERM entry. Spot oil prices have eased a little.

Over the week:

Exchange markets

- the ERI has fallen from over 97.0 to 96.0;

- the dollar/sterling rate, however, has risen from $1.95 last week (up from $1.87 the previous week) to $1.9735;

- against the DM, sterling has been steady at around DM 3.00 since Wednesday.

Money markets

- UK interest rates are towards the lower end of the range consistent with a 14 per cent base rate: the three month inter-bank rate is 13 $^{21}/_{32}$nds; and the three month Treasury bill rate is at 13 $^{1}/_{8}$ per cent;

- there have been no changes to German, US or Japanese interest rates;

- long gilt yields have fallen from 11.215 per cent to 11.086 per cent.

Equities market

After the spectacular rise of nearly 200 points on the FTSE index at one stage last Friday, equities have been falling all week. The index closed today at 2100. This is only 50 points higher than the pre-ERM announcement figure last Friday.

A predictable pattern has emerged. Shares of UK service industries dependent on domestic markets have risen in response to the reduction of interest rates; shares in the tradeable sector have fallen in response to the implied firmness of the exchange rate.

Also worthy of note is continuing concern about the stability of financial institutions in both America and Japan. Chemical Bank in the US reported a Q3 loss. Markets fear other US banks may be in some difficulty. A number of Japanese banks are being caught out by the progressive weakening of the domestic equities market - they are allowed to count equities as part of their balance sheet assets. There remains some concern about the dangers of recession if both US and Japanese banks are forced to contract their balance sheets and thus cut back their lending.

Oil prices

Predictably oil prices rose initially following the troubles in Jerusalem. But they have eased to below $40 again towards the end of the week. And there is just a little indication of weakness in retail petrol prices in the UK.

BHP

(BARRY H. POTTER)
12 October 1990

c:\economic\weekly (ecl)

MR POTTER

12 October 1990

MARKET REPORT

Last Friday equity market makers were short of stock and the ERM announcement forced them to close positions very quickly. A lot of equity business was done after hours on Friday and then on Monday, but it was both ways - some significant selling too.

The aims and consequences of joining ERM have been contemplated by the market for a very long time and the relative movement of sectors was very predictable - domestic producers up (especially the highly borrowed ones) and those with a lot of international earnings, up less. The market expects another one point cut in base rates before very long, but focuses on the balance of payments constraint on going much further very quickly.

Levels of business have since gone back more or less to where they were before and managers of money are focussing on the Gulf, the global monetary squeeze and the international banking crisis (a lot of them are very worried about the US banks). So ERM entry has not changed people's short-term concerns very much except in one respect- most fund managers seem to assume that there will be an Election in the summer.

Howell Harris Hughes

HOWELL HARRIS HUGHES

file : ①

PRIME MINISTER

EXCHANGE MONEY AND EQUITIES MARKETS

In the circumstances the normal weekly report seems distinctly redundant. Instead it may be useful to provide an update on financial markets reaction to our entry into ERM and the cut in interest rates.

As at 9 p.m. this evening the £ is at $1.95 and DM3.02. In short, sterling has appreciated substantially.

The foreign exchange markets are however reasonably thin. The US market is closed on Monday. And it is too early to say whether this appreciation is the sort of adjustment which Alan Walters and others indicated we might expect. What is clear is the Bank's fears that simultaneous entry into ERM and an interest rate cut might lead to an immediate fall in the £ were unrealised.

Other European countries have welcomed the news. Helpful statements have been issued by Beregovoy (France), Karl Otto-Poehl and the Danes. (This does not mean they will accept our preferred central rate without further argument.)

Other financial markets have reacted in a predictable fashion. Equities rose after the announcement of the interest rate cut and ERM entry. Indeed the Stock Exchange stayed open for an extra hour so that more deals could go through. As a result prices moved sharply higher, finishing over 70 points up at 2144 on the FTSE index. That is 50 points higher than last Friday's figure.

Gilts markets also responded well. Gilt prices were marked typically two points higher, following the cut in interest rates.

In retail markets, financial intermediaries moved quickly. The Halifax Building Society has announced a cut in its mortgage rate; and Barclays has cut its base lending rate.

Finally, having weakened over the course of the week spot oil prices firmed a little today to $38.10. But that is still $3 below the figure last week.

BHP

Barry H Potter
5 October 1990
c: exchange (MJ)

FILE

SECRET

Prime Minister
BHP 28/9

①

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Friday 28 September 1990

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
93.3	£ERI	93.4	93.3	-10.6	9.0	2.0
1.8670	$/£	1.8750	1.8705	36.8	22.4	12.4
2.9303	DM/£	2.9325	2.9286	-25.0	4.9	-2.3
1.4241	ECU/£	1.4247	1.4226			
63	$ERI		62.9	-36.3	-13.4	-9.6
1.5695	DM/$	1.5640	1.5657	-45.2	-14.3	-13.0
138.40	Yen/$	138.0	138.1	-42.7	-10.1	-3.2
88.18	Yen/DM	88.24	88.20			

Oct $39.15 Nov $37.05 Dec $35.15 Spot Brent Oct $41.45 Nov $39.45 Dec $37.35

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 90
18	-869	2094
11	-208	-1048
29	-1077	1046

(b)

	Estimated end-month position *
Market intervention	-946
Off-market transactions	602
TOTAL	-344
Net borrowing	107
Valuation changes	
TOTAL CHANGE IN RESERVES	-237

(a) Spot and forward transactions on a done date basis.

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

* To be published in the September Reserves Press Release, 2 October

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium -	Germany -	Italy -
Denmark -	Holland -	Japan -
France +155	Ireland -	US -
Portugal -	Sweden -360, -287DM	Norway +4

MARKET COMMENT

The dollar has traded within a narrow band, improving in London especially against the Yen, on technical month, quarter and (Japanese financial) half-year end position squaring. Sterling also has traded narrowly, supported by high interest rates and oil prices.

Rates at 17.30Hrs: $1.8750 DM2.9363 DM/$1.5660 ¥/$138.38 ¥/DM88.37.

Terry Smeeton on 0732 461216

J.E.Crane.
TEL NO: 270-5558

SECRET

MONEY MARKETS Friday 28th September 1990

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	14 7/8	0	8 1/8	-1/16
1 mth	14 15/16	-1/64	8 1/4	1/8
3 mth	14 15/16	-1/64	8 1/4	-1/16
12 mth	14 1/2	-1/32	8 3/8	-1/16

BILLS

	Today	Change
3 Month Treasury Bills	14 9/32 - 7/32	-1/32

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	107	14 7/8	14 7/8-13/16
Band 2 (15-31 days)	637	14 3/4	14 5/8-19/32
Band 3 (32-63 days)			14 1/2-15/32
Band 4 (64-91 days)			14 11/32-5/16
TOTAL BILLS	744		
Repurchase	405	On 8/10 at 14 15/16	
Lending	105		
TOTAL OPERATIONS	1254	against shortage £	1250 m

US RATES

	3 month CDs	10 yr Tsy Bond	20 yr Tsy Bond
Today/Change	8.25 -0.05	8.87 -0.11	9.04 -0.12

GERMAN RATES

	3 mth I'bank	28 day REPO (26/9)	56 day
Today/Change	8.60 0.00	8.0-8.3	

UK STOCK MARKET

	FT Ind-Ord	FTSE
Today/Change	1535.7 -12.4	1990.2 -18.9

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.7585	7.7625	0.004
Hang Seng Index	2775.12	2775.12	0
3 month interbank rate	8 1/2	8 1/2	unchanged

MARKET COMMENT

GILTS opened 3/16 better through the list, US bonds having improved overnight and Middle East clients reportedly having bought at the short end. Prices stayed close to their opening levels all morning but were marked better in afternoon when US bonds and UK equity market reacted to Wall Street opening losses. At close shorts and mediums were up 3/8 and longs 5/8 better, the day's best levels.

INDEX LINKED put on 5/8 with demand seen for most maturities.

EQUITIES opened slightly lower on overnight losses in Japan and US and fell further in mid-morning, and , again, as Wall Street opened. A late rally left prices well above the worst.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4616

GILT-EDGED MARKET — Friday 28th September 1990

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September 0	October
Gross sales shorts	32.9	451.3	32.9
Gross sales mediums	17.0	521.7	17.0
Gross sales longs and undated	16.9	296.9	16.9
Gross sales index-linked	25.6	157.7	25.6
Part paid calls			
Buying in non-next maturities shorts	-15.9	-450.0	-15.9
Buying in non-next maturities mediums	-16.9	-411.0	-16.9
Buying in non-next maturities longs	-33.1	-341.8	-33.1
Buying in non-next maturities index-linked	-13.9	-160.8	-13.9
CRND: Market transactions		0.8	
TOTAL 'GROSS' SALES	12.6	64.8	12.6
Buying in of next maturities			
Redemptions	-0.2	-6.8	
TOTAL TRANSACTIONS WITH MARKET	12.4	58.0	12.6

Future calls	

Sales required to meet * target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	12.273	12	-0.10
Mediums	12.213	12	-0.06
Longs	11.454	20	-0.07

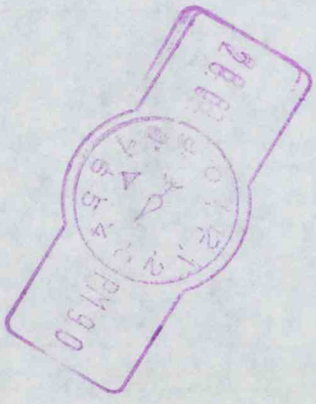
REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	93 18	5	12.75	-0.10
12% Exchequer 1998	98 30	10	12.19	-0.06
11 3/4% Treasury 2003/07	99 22	20	11.78	-0.09
3% Treasury 1992	89 6	6	10.13	-0.05
2 1/2% Index-Linked 2016	110 10	22	4.28	-0.04
2% Index-Linked 1994	112	8	4.29	-0.04

GILT FUTURES

		Open	Close	Volume
Long Contract	December	82.03	82.19	16705
Short Contract	*			

NAME: Peter Smith
TEL NO: 270 4616



PRIME MINISTER

WEEKLY REPORT: EXCHANGE, MONEY AND EQUITIES MARKETS

The exchange markets have had a quieter week. The pound has appreciated gently against both the deutschmark and the dollar. But equities have been weaker and have now fallen below the 2,000 level on the FTSE index. And spot oil prices have now risen to over $40 a barrel.

Over the week:

Exchange Markets

- the ERI has risen from 92.6 to 93.3;
- the $/£ rate has risen from 1.8515 to 1.8705;
- against the Dm, the £ has risen from 2.9146 to 2.9286;

Money Markets

- the three month inter-bank rate is more or less unchanged at $14^{15}/_{16}$;
- the three month Treasury Bill rate has eased a little from $14^{11}/_{32}$ to $14^{9}/_{32}$;
- there have been no significant changes in Japanese, German or US interest rates;
- long gilt yields have firmed slightly from 11.215 per cent to 11.454 per cent.

Equities Market

Equities have been depressed all week. The FTSE index finished today at 1990.2 - a fall of 35 points on last week. Equities are now lower than at any time over the last eighteen months. The general expectation seems to be for further falls.

Oil Prices

The spot Brent oil price has again risen to $41.45 per barrel. Oil prices have now risen by one-third over the last month.

BHP

BARRY H POTTER

28 September 1990

PRIME MINISTER

WEEKLY REPORT: EXCHANGE MONEY AND EQUITIES MARKET

Until today sterling had had a relatively quiet week, falling gently against both the DM and $. Today there was a sudden fall following speculation about delayed UK entry to the ERM. Sterling steadied only after overt and substantial intervention from the Bank.

Equities have also been weak falling below the 2000 level today on the FTSE index (for the first time in 18 months) before recovering to 2025. Spot oil prices have risen by a further $4. this week to $36.65.

Exchange Markets

Over the week:

- the ERI has fallen from 94.2 to 92.6
- the $/£ rate dropped from 1.8952 to 1.8515 (and to just below 1.85 in later trading overseas)
- against the DM the £ fell from 2.9616 to 2.9146. (and to below 2.91 this evening)

Money Markets

- the 3 month interbank rate is unchanged at $14^{29}/_{32}$nds;
- the 3 month Treasury bill rate is also unchanged at $14^{11}/_{32}$nds;
- there have been no further changes in Japanese, German or US interest rates;
- long gilt yields have eased marginally from 11.239% to 11.215% this week.

Equities Market

The FTSE has fallen by around 70 points over the week. A substantial fall was precipitated by the Polly Peck suspension yesterday morning; and shares continued downwards initially today to below the 2000 level on the FTSE. Subsequently they recovered back to 2025.

Oil Prices

The spot Brent oil price has risen to $36.65, against $32.40 last week and $30.65 the week before.

BHP

Barry H Potter
21 September 1990

c: market (MJ)

PRIME MINISTER

WEEKLY REPORT: EXCHANGE, MONEY AND EQUITIES MARKETS

Sterling has fallen further over the week. But it has been a week of two parts. After a very rapid fall (by over 5 cents and 4 pfennig over last weekend and on Monday) it has been recovering since. But equities have been weak. And spot oil prices have hardened further.

Exchange markets

Over the week:

- the ERI has fallen a little from 94.4 to 94.2;
- the £ is now at roughly the same rate against the dollar - $1.895 as last Friday;
- it is also at roughly the same level against the deutschmark - DM 2.96.

Money markets

- The three month inter-bank rate is unchanged at $14^{29}/_{32}$;
- the three month Treasury bill is also more or less unchanged at $14^{11}/_{32}$;
- there have been no changes in Japanese, German or US interest rates;
- long gilt yields are still easing gently: the figure this week is 11.239% against last Friday's 11.259%.

Equities market

After a mixed week, the FTSE has fallen by over 30 points today. It is now back below 2100 at 2093.8. Equities reacted badly to the inflation figure and to a gloomy profits warning from ICI.

Oil prices

The oil price has hardened further this week. Spot Brent prices for delivery this month are now $32.40 against last week's figure of $30.65.

BHP

BARRY H. POTTER

14 September 1990

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PRIME MINISTER

FOREIGN EXCHANGE MARKETS

I attach today's market report.

The £ has had a bad day. It fell by 2 cents and one pfennig almost immediately when the market opened. It has declined further over the day. (The good retail sales figures had no observable impact.) At 7 p.m. this evening it was down to $1.8495 (against the closing rate of $1.8907 on Friday); and DM2.9295 (against DM2.9603 last Friday).

The Bank of England has intervened over the course of the day but only modestly (total cost about £70m.). It has acted to smooth the downward passage.

Two factors explain the £'s decline in a thin market.

i. The focus of attention has been the Japanese yen. It strengthened considerably over the day. This is said to be partly short-term recovery of positions.

ii. The growing realisation that UK entry into the ERM may be delayed till towards the end of the year.

(Both German and US interest rates have also hardened fractionally today.)

I understand Treasury and the Bank have agreed that further modest intervention may be necessary. Although this technically could take place overnight, it is more likely to be timed for first thing tomorrow morning. Its purpose is to stabilise and smoothe - not to reverse the movement in sterling.

BHP

Barry H Potter
10 September 1990
c: foreign (MJ)

PRIME MINISTER

WEEKLY REPORT: EXCHANGE, MONEY AND EQUITIES MARKET

Sterling has again fallen over the course of the week against the deutchmark and European currencies. It is unchanged against the dollar. Equities have dropped by around 40 points. And spot oil prices have risen back to over $30.

Exchange markets

Over the week:

- The ERI has fallen from 95.0 to 94.4
- the £ is unchanged against the $ at $1.89
- the £ has fallen from DM 2.9811 to DM 2.9602.

Money markets

- The three month inter-bank rate is down by $^{1}/_{32}$nd at 14 $^{29}/_{32}$nds;

- the Bank intervened in money markets yesterday to keep the three month Treasury bill up (14$^{3}/_{8}$ per cent) and sustain the 15 per cent base rate;

- after last week's rise in the Japanese discount rate, there has been no further action by other countries: but German interest rates have hardened marginally;

- long gilt yields in the UK have eased further from 11.401 per cent to 11.259 per cent.

Equities market

The UK market has lost half of last week's rise over the course of the week. The FTSE index is down by some 40 points to 2122.9.

Oil prices

Spot oil prices have risen gradually over the week and are now back over $30 at $30.65, against last week's figure of $27.55. Further petrol price increases have been announced.

Supplementary note

I attach a note from Howell Harris Hughes (Policy Unit) on the Japanese banks. It points out that the capital adequacy rules are creating problems for Japanese banks: this could be reflected in falling property values and issues of subordinated debt. That in turn could harden Japanese interest rates.

BHP

(BARRY H. POTTER)
7 September 1990

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MR POTTER

6 September 1990

WEEKLY MARKET NOTE

You will have seen that the Japanese commercial banks yesterday started on a big borrowing programme to restore their balance sheets with issues of subordinated debt.

The BIS rules say that they should have capital equivalent to 8% of assets by March 1993. The Tokyo stock market is down by more than 40% since its December 1989 peak, so raising new equity capital for Tier 1 is not possible at the moment. But the major problem is that the market fall has wiped out a large part of the 45% of unrealised gains on equity holdings which the banks are allowed to include in Tier 2.

Markets have anticipated this but the impact of further weakness in the Tokyo stock market because of events in the Gulf would worry them because Japanese financial institutions have hitherto been big investors overseas. There is also the problem of the effect on the Tokyo property market to which the banks are big lenders. Some commentators say that Tokyo office values could fall 20% over the next year even if rents grew in line with inflation just because the rise in interest rates means that bonds yield 8% while office property offers 3% (double the normal gap). If an oil price induced slow down of economic activity caused rents to fall, the drop in values might be 40% so that banks will then be writing off quite a lot of bad debts which would further aggravate their capital adequacy problems.

The take-up of the new issues of subordinated debt is limited to Japanese institutions which are quite liquid, not least because the debt-equity ratio of non-financial companies in Japan is close to zero. Estimates of what the commercial banks need in the way of new capital might be six trillion yen.

Howell Harris Hughes

HOWELL HARRIS HUGHES

PRIME MINISTER

WEEKLY REPORT: EXCHANGE, MONEY AND EQUITIES MARKETS

Sterling has fallen over the course of this week particularly against the dollar but also against the D-mark. Today was particularly turbulent: the £ fell from just over £1 = 3 dm to 2.96, before recovering to 2.98. Rumours of a German interest rate increase; cuts in the UK interest rates; and concern that ERM entry might be delayed were responsible. Over the course of the week equities have recovered considerably.

Exchange Markets

- the ERI has fallen from 97 to 95;
- the £/$ rate has fallen from 1.95 to 1.89;
- the £/Dm rate has fallen from 3.03 to 2.98.

Money Markets

- The three month inter-bank rate is more or less unchanged at $14^{15}/_{16}$;
- the Treasury Bill rate is also more or less unchanged at $14^{11}/_{32}$;
- long gilt yields have eased further from 11.5 to 11.42.

The Equities Markets

The FTSE Index has risen by 80 points over the week to 2162.8. Again it has followed closely developments on international stock markets: preversely the Tokyo market was buoyed up by the increase in Japanese interest rates.

Oil Prices

The oil price has stabilised over the course of the week and is now at around $27.55: this is of course some $4 below last week's level of $31.65. But petrol prices at the pumps are still rising with a further 8p increase announced by Texaco this week, though Shell have opted for a more modest 4p increase. Oil prices may come down further when the increased output from Saudi Arabia etc., comes through to the markets.

BHP

BARRY H. POTTER 31 AUGUST 1990 c:\economic\week

SECRET

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Friday 31 August 1990

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
96.2	£ERI	95.5	95	-9.0	11.0	3.8
1.9252	$/£	1.9140	1.8907	38.3	23.7	13.6
3.0139	DM/£	2.9897	2.9811	-23.7	6.8	-0.5
1.4562	ECU/£	1.4592	1.4417			
63.2	$ERI		63.6	-35.6	-12.4	-8.6
1.5655	DM/$	1.5620	1.5767	-44.8	-13.7	-12.4
144.30	Yen/$	144.2	143.9	-40.3	-6.3	0.8
92.18	Yen/DM	92.29	91.27			

Sept $29.3 Oct $27.5 Nov $26.45 Spot Brent Sept $27.55 Oct $26.55 Nov $25.87

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 90
-82	813	2966
7	-278	-841
-75	535	2125

(a) Spot and forward transactions on a done date basis.

(b)

	Estimated end-month position *
Market intervention	867
Off-market transactions	-141
TOTAL	726
Net borrowing	89
Valuation changes	
TOTAL CHANGE IN RESERVES	815

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

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium -	Germany -	Italy -
Denmark -	Holland -	Japan -
France -	Ireland -	US -
Portugal +35 Norway +10 Sweden +30		

MARKET COMMENT

Sterling encountered selling in the Far East on profit-taking. Sterling fell further in London on technical selling and profit-taking ahead of the week-end but without the opening up of short positions. The dollar, on the sidelines most of the day, improved against the Deutschemark after breaching the chart point of DMK1.57.

Rates at 17.25Hrs: $1.8940 DM2.9850 DM/$1.5760 ¥/$143.80 ¥/DM91.25.

Terry Smeeton on 0732 461216

J.E.Crane.
TEL NO: 270-5558

SECRET

MONEY MARKETS — **Friday 31st August 1990**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	14 15/16	1/16	8	0
1 mth	14 31/32	0	8	-1/16
3 mth	14 15/16	-1/64	8	-1/8
12 mth	14 7/16	0	8 3/16	-1/16

BILLS

	Today	Change
3 Month Treasury Bills	14 11/32 - 9/32	1/32

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	206	14 7/8	14 7/8-13/16
Band 2 (15-31 days)	356	14 3/4	14 21/32-41/64
Band 3 (32-63 days)			14 17/32-1/2
Band 4 (64-91 days)			14 11/32-21/64
TOTAL BILLS	562		
Repurchase	745	on 10/9 at 14 15/16%	
Lending	125		
TOTAL OPERATIONS	1432	against shortage	£ 1550 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.05	-0.02	8.85	0.04	9.03	0.06

GERMAN RATES

	3 mth I'bank		35 day REPO (21/8)	
Today/Change	8.40	0.00	7.95-8.05	

UK STOCK MARKET

	FT Ind-Ord		FTSE	
Today/Change	1693.6	5.7	2162.8	9.2

HONG KONG	Previous	Today	Change
Hong Kong Dollar	7.7665	7.772	0.0055
Hang Seng Index	3054.49	3087.5	33.01
3 month interbank rate	8 3/8	8 3/16	down 3/16

MARKET COMMENT

GILTS opened 1/8 lower in shorts and 1/4 softer in mediums and longs following weakness in sterling. There was little selling and market improved after announcement of buyback of £80 mn Taylor Woodrow 2014 bond. There was good domestic and US demand and coupled with renewed rumours on ERM entry, market improved to close at day's highest levels with shorts up 3/8, mediums 5/8 and longs 7/8 better.

INDEX LINKED opened 1/4 lower but closed 3/8 better.

EQUITIES opened lower as £ weakened on the foreign exchange markets, but recovered lost ground, returning to overnight levels in light trading.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4616

GILT-EDGED MARKET — **Friday 31st August 1990**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS	Today	0 September	
Gross sales shorts	23.3	370.1	23.3
Gross sales mediums	30.0	862.7	30.0
Gross sales longs and undated	9.9	407.0	9.9
Gross sales index-linked		324.3	
Part paid calls			
Buying in non-next maturities shorts	-22.7	-457.9	-22.7
Buying in non-next maturities mediums	-14.1	-697.7	-14.1
Buying in non-next maturities longs	-21.2	-410.4	-21.2
Buying in non-next maturities index-linked		-402.2	
CRND: Market transactions		-23.2	
TOTAL 'GROSS' SALES	5.2	-22.1	5.2
Buying in of next maturities		-18.4	
Redemptions	-0.5	-6.9	
TOTAL TRANSACTIONS WITH MARKET	4.7	-47.4	5.2

Future calls

Sales required to meet * target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Yield (%)
Shorts	12.112	12	-0.10
Mediums	12.124	20	-0.10
Longs	11.401	26	-0.08

REPRESENTATIVE STOCKS

	Price (£/32) Today	Price (£/32) Change	Yield (per cent) Today	Yield (per cent) Change
8% Treasury 1992	93 17	4	12.53	-0.07
12% Exchequer 1998	99 20	16	12.05	-0.10
11 3/4% Treasury 2003/07	100 10	26	11.69	-0.12
3% Treasury 1992	88 20	2	10.13	-0.04
2 1/2% Index-Linked 2016	110	14	4.24	-0.02
2% Index-Linked 1994	110 18	4	4.33	-0.01

GILT FUTURES

		Open	Close	Volume
Long Contract	September	81.22	82.17	9673
Short Contract	*			

NAME: Peter Smi
TEL NO: 270 4616

PRIME MINISTER

WEEKLY REPORT

Exchange, money and equities markets

Sterling has strengthend further this week (though mainly against a very weak dollar which hit an all-time low against the DM this morning). Equities have taken another hammering all round the world and the FTSE this evening has closed at its lowest level since the Gulf crisis began.

Exchange Markets

- the ERI is at 95.3 compared to 94.9 last Friday
- the £/$ rate is up by 5 cents to 1.9195
- the £/DM rate is virtually unchanged at 2.9752

Money Markets

- the 3-month inter-bank rate has moved by 1/32 to 15
- the Treasury bill rate has moved by 1/64 to 11 23/64
- long gilts yields have risen a further 1/8 per cent to 11.505

The Equities Markets

The FTSE index has fallen by a further 57 points over the week from 2234 to 2176.9. Again it has not been quite as badly hit as Tokyo or Wall Street (which, like the dollar, has been hit by fears about the strength of the US economy and, today, by reaction to the outcome of the Bush/Hussein meeting which has got unfairly downbeat coverage in the US and world news).

The oil price has strengthened further during the week and is now at $27.90. Petrol prices at the pumps are mostly unchanged this week though Texaco have restored the 2.7p that they prematurely cut last week. Prices are likely to remain high until and unless the Saudis persuade OPEC to increase production substantially. They hope to do this next week.

DOMINIC MORRIS

17 August 1990

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PRIME MINISTER

WEEKLY REPORT

Exchange, money and equities markets

Sterling has strengthend further this week (though mainly against a very weak dollar which hit an all-time low against the DM this morning). Equities have taken another hammering all round the world and the FTSE this evening has closed at its lowest level since the Gulf crisis began.

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Money Markets

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- long gilts yields have risen a further 1/8 per cent to 11.505

The Equities Markets

The FTSE index has fallen by a further 57 points over the week from 2234 to 2176.9. Again it has not been quite as badly hit as Tokyo or Wall Street (which, like the dollar, has been hit by fears about the strength of the US economy and, today, by reaction to the outcome of the Bush/Hussein meeting which has got unfairly downbeat coverage in the US and world news).

The oil price has strengthened further during the week and is now at $27.90. Petrol prices at the pumps are mostly unchanged this week though Texaco have restored the 2.7p that they prematurely cut last week. Prices are likely to remain high until and unless the Saudis persuade OPEC to increase production substantially. They hope to do this next week.

DOMINIC MORRIS

17 August 1990

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CONFIDENTIAL

PRIME MINISTER

WEEKLY REPORT: EXCHANGE, MONEY AND EQUITIES MARKETS

The Gulf crisis has strengthened sterling but given the equities market a very hard week.

Exchange Markets

- the ERI is at 94.9 compared to 93.9 last Friday;
- the £/$ rate is up by 2½ cents to 1.8697;
- the £/Dm rate is up by just under 2 pfennigs to 2.9803.

Money Markets

- the three-month inter-bank rate is unchanged at $14^{31}/_{32}$;
- the Treasury Bill Rate is also unchanged at $14^{11}/_{32}$;
- long gilt yields have risen $^{1}/_{4}$ per cent to 11.383.

The Equities Market

The FTSE index has fallen by 97 points over the week from 2330 to 2233.8. In this it has fared rather better than Wall Street, and particularly Tokyo (no doubt reflecting our position as an oil producer).

The spot oil price has eased back to $25.05, having touched a high of around $28 earlier in the week. That easing is reflected in Texaco's decision from tonight to ease back its petrol price by 2.7 p per gallon. In the slightly longer term, if oil prices remain high their impact on the current account is likely to be small (the visible oil trade balance improvement being off-set by a deterioration in the invisibles balance from repatriated profits by foreign oil companies operating in the North Sea and, in time, reduced demand for non-oil exports).

The effect on the PSBR is beneficial (an immediate $1 per barrel rise in Brent crude will increase Government revenues by £75 million this year and £200 million next year. The Treasury - for obvious reasons - are not advertising that fact to spending departments).

DOMINIC MORRIS

10 August 1990

Prime Minister BHP 31/7 ①

SECRET

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Tuesday 31 July 1990

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
94.1	£ERI	94.0	94.1	-9.9	9.9	2.8
1.8447	$/£	1.8450	1.8592	36.0	21.7	11.7
2.9676	DM/£	2.9640	2.9561	-24.3	5.9	-1.4
1.4342	ECU/£	1.4332	1.4294			
64.7	$ERI	-	64.2	-35.0	-11.6	-7.8
1.6087	DM/$	1.6065	1.59	-44.3	-12.9	-11.7
148.15	¥/$	147.4	146.27	-39.3	-4.7	2.5
92.09	¥/DM	91.72	91.99			

Aug $19.07 Sep $19.40 Oct $19.60 Spot Brent Aug $19.35 Sep $19.72 Oct $19.97

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 90
24	587	2153
6	-104	-563
30	483	1590

(b)

	end July position *
Market intervention	600
Off-market transactions	-427
TOTAL	173
Net borrowing	-79
Valuation changes (EMCF swap)	-266
TOTAL CHANGE IN RESERVES	-172

(a) Spot and forward transactions on a done date basis.

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

* To be published in J[illegible]y Reserves Press Notice, 2 August.

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium -	Germany -	Italy -
Denmark -	Holland -	Japan -
France -	Ireland -	US -
Norway +28$		

MARKET COMMENT

The dollar fell in New York and hit a low of DM1.6015, but recovered in the Far East against DM although losing ground against the Yen on strength of Nikkei rise and on speculation that US interest rates would ease and Japanese rates would firm. The dollar fell sharply in London on professional selling in thin bearish market. Comments by Fed Governor Martha Seger to the effect that US rates may need to ease further and the dollar would need to fall to ¥120-125 to make US manufacturers competitive with the Japanese did not help.

Sterling was slightly easier overnight. In London it has been on the sidelines gaining against the weak dollar but falling back against the deutschemark. Rates at 4:55pm. $1.8595 DM2.9514 $/DM1.5872 $/¥146.11 DM/¥92.06.

B Coidan

Chris Bailey on 0702 75811

NAME: Mr B Coidan
TEL NO: 270-5558

SECRET

MONEY MARKETS — Tuesday 31st July 1990

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	15	1/16	7 15/16	0
1 mth	14 31/32	-1/64	7 15/16	0
3 mth	14 31/32	-1/64	7 7/8	-1/16
12 mth	14 1/2	1/16	7 15/16	-1/16

BILLS

	Today	Change
3 Month Treasury Bills	14 3/8 - 5/16	0

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	192	14 7/8	14 15/16-7/8
Band 2 (15-31 days)	768	14 3/4	14 21/32-5/8
Band 3 (32-63 days)			14 17/32-33/64
Band 4 (64-91 days)			14 23/64-11/32
TOTAL BILLS	960		
Repurchase	297	On 7/8 at 14 15/16%	
Lending	85		
TOTAL OPERATIONS	1342	against shortage	£ 1350 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	7.95	-0.05	8.43	0.00	8.54	0.00

GERMAN RATES

	3 mth I'bank		28 day REPO (25/7)	63 day
Today/Change	8.23	0.03	7.9-8.00	7.95-8.20

STOCK MARKET

	FT Ind-Ord		FTSE	
Today/Change	1844.5	6.4	2326.2	9.7

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.7645	7.7645	0
Hang Seng Index	3445.41	3438.49	-6.92
3 month interbank rate	8 13/16	8 9/16	down 1/4

MARKET COMMENT

GILTS opened 1/8 lower through the list and initially improved on rumours of a large switch from equities into gilts. More encouragement was provided by CBI's pessimistic survey and at best, market was 1/4 firmer. As other bond markets fell in afternoon, there was some aggressive selling of mediums and market fell back with little resistance to close with shorts down 3/16, mediums 1/4-3/8 and longs 3/8-1/2.

INDEX LINKED opened 1/8 softer and closed 3/8 lower.

EQUITIES responded positively in morning trading to overnight rise in Tokyo but market was unable to hold these gains as London again took its lead from Wall Street. Banking sector remained depressed after Nat West profits of £431mn, below market expectations.

NAME: Peter Smith
TEL NO: 270 4616

Peter Smith

GILT-EDGED MARKET — **Tuesday 31st July 1990**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	July	August
Gross sales shorts	4.3	131.9	4.3
Gross sales mediums	6.4	381.9	6.4
Gross sales longs and undated	21.4	255.3	21.4
Gross sales index-linked	22.7	250.9	22.7
Part paid calls			
Buying in non-next maturities shorts	-6	-131.6	-6.1
Buying in non-next maturities mediums	-14.3	-351.9	-14.3
Buying in non-next maturities longs	-10.2	-233.8	-10.2
Buying in non-next maturities index-linked	-21.6	-259.3	-21.6
CRND: Market transactions	-11.9	-9.1	-11.9
TOTAL 'GROSS' SALES	-9.3	34.3	-9.3
Buying in of next maturities		-1.9	
Redemptions	-0.5	-900.7	
TOTAL TRANSACTIONS WITH MARKET	-9.8	-868.3	-9.3

Future calls

Sales required to meet * target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	11.922	-6	0.05
Mediums	11.703	-8	0.04
Longs	10.894	-12	0.04

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	92 28	0	12.76	0.01
12% Exchequer 1998	100 18	-8	11.87	0.05
11 3/4% Treasury 2003/07	102 13	-12	11.41	0.05
3% Treasury 1992	87 28	0	10.31	0.01
2 1/2% Index-Linked 2016	110 22	-10	4.19	0.01
2% Index-Linked 1994	109 6	0	4.59	0.01

GILT FUTURES

		Open	Close	Volume
Long Contract	September	85.09	84.28	15341
Short Contract	*			

NAME: Peter Smith
TEL NO: 270 4616

PRIME MINISTER

WEEKLY REPORT: EXCHANGE, MONEY AND EQUITIES MARKETS

It has been a volatile week on both the exchange and equities markets. The ERI, however, has ended up only 0.1 below its level on Friday, 20 July.

Exchange Markets

- the ERI is at 93.9 compared to 94.0 last Friday;
- the pound/dollar rate is up however by a further two cents to 1.8347;
- the pound/DM rate has fallen by just over one pfennig to 2.9625;
- the Spanish have again been intervening, though a little more modestly, to keep their currency within its ERM bands.

Money Markets

- the three month inter-bank rate is more or less unchanged at $14^{31}/_{32}$;
- the Treasury bill rate is unchanged at $14^{11}/_{32}$;
- long gilt yields remain at just over 11 per cent (11.059).

The Equities Market

- the FTSE index has fallen by nearly 70 points over the week from 2400.1 last Friday to 2330.1. It was first unsettled by the fall earlier in the week in the Dow Jones Index; latterly it has weakened following the poor ICI results.

Finally, the spot oil price has again risen to $19.10 this week compared to $18.15 last week. The $3 rise in the spot price over the last three weeks reflects a number of developments, but in particular the OPEC meeting. OPEC have now decided to raise their target price from $18 per barrel to $21 - the first increase since 1986.

BHP

BARRY H POTTER

27 July 1990

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PRIME MINISTER

WEEKLY REPORT: EXCHANGE, MONEY AND EQUITIES MARKETS

There has been a further small appreciation in the pound since last Friday 13 July. At 94, the ERI is now at its highest level for 18 months.

Exchange Markets

- The ERI rose from 93.5 to 94 over the last seven days;
- the pound/dollar rate is up by a cent to 1.8145;
- the pound/DM rate is also up by 1 pfennig to 2.9794;
- the Spanish have been intervening within the ERM to keep their currency within its bands.

Money Markets

- The three month interbank rate has hardened fractionally to $14\frac{61}{64}$;
- so has the Treasury bill rate to $14\frac{11}{32}$;
- long gilt yields remain at just over 11 per cent (11.056 per cent)

The Equities Market

- the FTSE index is back through the 2400 barrier. Trading has been moderate all week but the rise of 12.8 points today took the Index to 2400.1. This compares with 2382.2 last Friday.

Finally, the spot oil price has risen to $18.15 this week compared to $17.60 last week. The spot price has risen by $2 over the last two weeks.

BHP

BARRY H. POTTER
20 July 1990
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(slh)

PRIME MINISTER

WEEKLY REPORT: EXCHANGE, MONEY AND EQUITIES MARKETS

There has been a further, but much smaller, appreciation in the pound over the week. The ERI is now at its highest level for some 18 months.

Exchange Markets

- the ERI has risen from 93.1 on 6 July to 93.5 today;
- the pound/dollar rate has increased by over a cent to 1.8047;
- the pound/DM rate has risen by just over 1 pfennig to 2.9696.

Money Markets

- the three-month inter-bank rate is more or less unchanged at $14^{1}5/_{1}6$
- the three-month Treasury bill rate has eased fractionally to $14^{1}5/_{1}6$
- long gilt yields are unchanged at around 11 per cent.

Equities Market

The market was a little erratic in the early part of the week, but since last Friday has reversed the drop of the previous week and now stands at 2382.2 on the FTSE index. This represents an increase of 42 points since last Friday.

Finally, the spot oil price has risen to $17.60 this week compared to $16.10 last week. However the spot price has been volatile during the week and it is too early to say whether this slight firming in oil price has any significance.

BHP

(BARRY H. POTTER)
13 July 1990
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FOLLOWING FOR ANDREW TURNBULL, PRIME MINISTER'S PARTY, HOUSTON

EXCHANGE AND EQUITIES MARKET

The £ has risen more modestly today.

The ERI closed at 94.1 against a close of 93.9 yesterday. Sterling rose by 1 cent to 1.8177 against the $, and by around 1 pfennig to 2.9856 against the Deutschmark.

In later overseas trading the £ was drifting down but only marginally.

Equities fell back a little. This mainly reflected disappointing results reported by a number of major companies including Empire Stores and Trust House Forte. The FTSE index fell by 10 points to 2327.5.

BP/P

BARRY POTTER
10 July 1990
b:\exchange

FOLLOWING FOR ANDREW TURNBULL, PRIME MINISTER'S PARTY, HOUSTON

EXCHANGE AND EQUITIES MARKETS

The pound has appreciated further today.

The ERI closed at 93.9 against a close of 93.1 last Friday. Sterling rose by 2 cents to 1.8080 against the dollar; and by 2 pfennigs to 2.9781 against the Deutschmark..

In later overseas trading, the pound has appreciated further against the Deutschmark to 2.9855.

Equities had a quiet day: the FTSE index fell 2½ points to 2337.5 in light trading.

BHP

BARRY H POTTER
9 July 1990

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PRIME MINISTER

WEEKLY REPORT: EXCHANGE, MONEY AND EQUITIES MARKETS

There has been a further appreciation in the £ this week: the ERI is now at its highest level for over a year.

Exchange Markets

- the ERI has risen from 91.4 to 93.1 - the highest level for over a year;

- the £/$ rate has increased by a further 4 cents to 1.7880;

- the £/DM rate has risen by 5 pfennigs to 2.9538.

Money Markets

- the three month inter-bank rate is up marginally at $14\frac{31}{32}$

- long gilt yields have risen reflecting the slight upward movement in interest rates generally to 11.166 per cent from last week's 10.904 per cent.

- the three month Treasury bill rate is again at $14\frac{11}{32}$

Equities Market

The equities market has fallen over the week by 34 points to 2340 on the FTSE index. The statement from the Chancellor about the continuing need for high interest rates, combined with the appreciation in the £, has generally discouraged equities.

Finally, the spot oil price has fallen from $16.10 last week to $15.82.

BHP

BARRY H. POTTER
6 JULY 1990
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PRIME MINISTER

WEEKLY REPORT: EXCHANGE, MONEY AND EQUITIES MARKETS

A much quieter week with little movement on any of the markets.

Exchange markets

- the ERI has drifted up from 91.2 to 91.4 - the highest level since last October;

- the £/$ rate has increased by a further 1½ cents to 1.744;

- the £/DM rate however has remained more or less stable at 2.9067.

Money Markets

- the three month inter-bank rate is again more or less unchanged at $14\frac{29}{32}$;

- long gilt yields are also stable at 10.904 per cent;

- the three month Treasury bill rate is again at $14\frac{11}{32}$.

Equities Market

The equities market has dropped fractionally from 2378.5 last Friday to 2374.6 today; after two days of losses on Wednesday and Thursday, the market recovered the ground today.

Finally the spot oil price at $16.10 is 10 cents up on last week's price.

BHP

(BARRY H. POTTER)
29 June 1990
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MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Friday 29 June 1990

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
91.3	£ERI	91.5	91.4	-12.5	6.8	-0.1
1.7387	$/£	1.7415	1.7440	27.5	14.1	4.8
2.9005	DM/£	2.9106	2.9067	-25.6	4.1	-3.0
1.4065	ECU/£	1.4107	1.4081			
67	$ERI	-	66.8	-32.4	-8.0	-4.0
1.6682	DM/$	1.6713	1.6667	-41.7	-8.7	-7.4
153.07	¥/$	152.6	152.15	-36.8	-0.9	6.6
91.76	¥/DM	91.31	91.29			

Jul $15.90 Aug $15.92 Sept $16.27 Spot Brent Jun $16.10 July $16.15 Aug $16.45

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 90
47	739	1566
55	-116	-459
102	623	1107

(a) Spot and forward transactions on a done date basis.

(b)

	end June position *
Market intervention	724
Off-market transactions	-609
TOTAL	115
Net borrowing	-35
Valuation changes	0
TOTAL CHANGE IN RESERVES	80

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

* As published in June Reserve notice, 3 June

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-	Germany	-	Italy	-
Denmark	+40$ and +50DM (all forward)	Holland	-	Japan	-
France	-	Ireland	-	US	-

Norway -20$; Sweden -60$; Greece +10$; Portugal +7$; Canada +40$ (28.06.90) and +150$

MARKET COMMENT

Overnight dollar rose against DM; mainly sold against ¥ ahead of GEMU this week-end. In London dollar eased back as gains against DM were reversed.

Sterling rose against weaker DM and was steady against dollar overnight. In London sterling had a firm undertone.

Rates at 5.09pm $1.7455 DM2.9071 DM/$1.6655 ¥/$152.25 ¥/DM91.41.

B Coidan

Terry Smeeton on 0732 461216

NAME: Mr B Coidan
TEL NO: 270-5558

MONEY MARKETS — Friday 29th June 1990

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	14 15/16	0	8 1/4	0
1 mth	14 15/16	1/32	8 1/4	0
3 mth	14 29/32	-1/32	8 5/16	0
12 mth	14 19/32	-3/32	8 3/8	-1/8

BILLS

	Today	Change
3 Month Treasury Bills	14 11/32 - 9/32	0

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	662	14 7/8	14 15/16-7/8
Band 2 (15-31 days)	712	14 3/4	14 21/32-5/8
Band 3 (32-63 days)			14 17/32-1/2
Band 4 (64-91 days)			14 23/64-11/32
TOTAL BILLS	1374		
Repurchase	486	at 9/10/11 July at 14 31/32%	
Lending	75		
TOTAL OPERATIONS	1935	against shortage	£ 1950 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.30	0.00	8.45	-0.05	8.56	-0.04

GERMAN RATES

	3 mth I'bank		28 day REPO (27/6)
Today/Change	8.20	-0.15	7.8-7.95

STOCK MARKET

	FT Ind-Ord		FTSE	
Today/Change	1899.9	12.1	2374.6	18.9

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.789	7.788	0.001
Hang Seng Index	3273.28	3278.24	4.96
3 month interbank rate	8 3/4	8 3/4	unchanged

MARKET COMMENT

GILTS opened 1/4 better in shorts, 3/8 in mediums and 1/2 firmer in longs on continued speculation about ERM entry. There was very little business and market eased back slightly. Although it fell further on news that Bush was giving a press conference, his hopes that agreement on the Budget could be agreed within a month provided encouragement to the US bond and gilts followed suit to close with shorts up 1/8-1/4 and mediums and longs 1/4 better.

INDEX LINKED opened 3/8 better recouping yesterday's losses and closed 1/4 firmer.

EQUITIES opened steadily and then forged ahead, helped by speculative activity, before fading from mid-afternoon.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4616

GILT-EDGED MARKET — **Friday 29th June 1990**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	June
Gross sales shorts	9.4	229.9
Gross sales mediums	33.0	718.2
Gross sales longs and undated	4.3	667.2
Gross sales index-linked	13.2	281.5
Part paid calls		
Buying in non-next maturities shorts	-9.1	-268.9
Buying in non-next maturities mediums	-29.9	-790.9
Buying in non-next maturities longs	-5.1	-485.5
Buying in non-next maturities index-linked	-12.6	-250.7
CRND: Market transactions		-19.0
TOTAL 'GROSS' SALES	3.2	81.8
Buying in of next maturities		-3.4
Redemptions	-1.5	-577.3
TOTAL TRANSACTIONS WITH MARKET	1.7	-498.9

Future calls

Sales required to meet * target of £ ========== m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	11.999	5	-0.04
Mediums	11.672	8	-0.04
Longs	10.904	8	-0.03

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	92 16	2	12.80	-0.03
12% Exchequer 1998	101 6	5	11.75	-0.03
11 3/4% Treasury 2003/07	103 2	6	11.33	-0.03
3% Treasury 1992	87 26	0	10.05	0.03
2 1/2% Index-Linked 2016	112	8	4.10	-0.01
2% Index-Linked 1994	108 16	4	4.60	-0.01

GILT FUTURES

		Open	Close	Volume
Long Contract	September	86.01	85.20	14859
Medium Contract	0			

NAME: Peter Smith
TEL NO: 270 4616

PRIME MINISTER

WEEKLY REPORT: EXCHANGE, MONEY AND EQUITIES MARKETS

Since last Friday, 15 June, there has been a further substantial appreciation in sterling. The equities market has remained more or less stable. The major developments are as follows:

Exchange Markets

- the ERI has risen from 90.6 to 91.2 - the highest level since last October;

- the £/$ rate has risen by a further 2 cents to 1.7292;

- the £/DM rate has risen from 2.8946 to 2.9019;

- the further rise reflects continued speculation about entry to ERM; also, having slipped back a little yesterday, the better trade figures buoyed up the pound.

Money Markets

- the three month inter-bank rate is more or less unchanged at $14\ ^{15}/_{16}$.

- long-gilt yields are more or less unchanged at 10.874 per cent;

- there has been no downward pressure last week on UK base rates (following action by the Bank last week to make it clear that the Government would not contemplate a base rate reduction).

Equities Market

- The equities market has dropped fractionally from 2392.3 on the FTSE index last Friday to 2378.5 today.

Finally, the spot oil price is $16, marginally up on last week's price of $15.70.

BHP

BARRY H. POTTER
22 JUNE 1990

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PRIME MINISTER

WEEKLY REPORT: EXCHANGE, MONEY AND EQUITIES MARKETS

Since last Friday 8 June there has been a substantial appreciation in sterling and a further rise in the equities market. Both developments reflect renewed speculation about early entry into ERM.

The major developments are as follows:

Exchange markets

- the ERI has risen from 89.5 to 90.6 - the highest level since last October;

- the £/$ rate has risen by 2 cents to 1.7032;

- the £/DM rate has risen from 2.8572 to 2.8946;

- there has been regular intervention by the Italians in exchange markets to keep their currency within their ERM band.

Money Markets

- the three month inter-bank rate has eased and now dropped below 15 per cent to $14\frac{29}{32}$;

- long-gilt yields have also eased to below 11 per cent and stand at 10.814 per cent.

Equities Market

- the equities market, which rose over the 2400 mark yesterday, has dropped back to 2392.3 today - an increase of around 30 points over last week's level.

Finally the spot oil price is $15.70 per barrel, marginally up on last week's price of $15.47.

Also attached is a note from Policy Unit on two other points about London markets.

First, as you will know, the City property market is beginning to get into a little difficulty. A number of property firms are in trouble: and City office values are expected to fall by 20 per cent this year.

Second the market in small company shares is becoming a little narrow, with fewer market makers. One result is a higher spread between buying and selling prices: this deters business. However, the International Stock Exchange is looking at further structural reforms and this will be an important area to be reviewed.

BHP

BARRY H. POTTER
15 June 1990
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ECON POL: Market Reports June 88

B.E. Fri 15 June

MR POTTER

12 June 1990

LONDON MARKETS

May I mention two points which may be of interest to the Prime Minister in the context of your weekly report on markets?

(a) **Property Shares**

We had results last week from Great Portland Estates and British Land. Compared with the Land Securities figures (24 May), they were bad and the sub-sector is now down by 12% this year against a fall of 5% in the All Share Index. From its peak last September, the property share sector is now down 22%.

The point of specific concern is that, whereas Land Securities reported a drop of only $2^3/_4$% in the value of its City office portfolio, Great Portland put the fall at 12% and British Land at 10%. The City market for office property is the biggest in the UK and many analysts are now forecasting that office values there will fall by 20% this year. Given that property lending is now 8.02% of total bank lending there is obviously concern that many loans now look rather exposed. The Hillier Parker All Property Average Yield (a leading market indicator) is giving 8.4% now against the 4.7% of the All Share Index - a wider gap than in the 1973/4 period. That said, the fall in value is far more acute in the City than in the West End or provinces and I would argue that it reflects the down turn in the financial services industry post-1987 - a two year time lag would be normal.

(b) **The Market in Small Company Shares**

In the last 10 days two market makers have closed - Stock Beech Securities (part of British and Commonwealth) and Kitcat and Aitken (part of Royal Bank of Canada). Between them, they made a market in about 350 mainly small company shares and there is increasing anxiety that there is no longer an adequate market in the shares of many small companies. An "adequate market" means at least 3 and arguably 6 market makers. Of the 2035 domestic companies listed on the

ternational Stock Exchange, about 1,000 have only 2 or 3 market makers and at least 100 have only one market maker (Winterflood Securities). So the "spread" between buying and selling prices gets wider and further deters business. The International Stock Exchange is thinking about structural reforms but the sad fact is that this is an area of the market in which the private individual was previously the most important element and his steadily diminishing role in the market place is a major reason for the difficulties in which both market makers and small quoted companies find themselves.

Howell Harris Hughes

HOWELL HARRIS HUGHES

PRIME MINISTER

WEEKLY REPORT: EXCHANGE, MONEY AND EQUITIES MARKETS

Since last Friday 1 June, there has been a further rise in the exchange rate. The equities market is more or less unchanged.

The major developments are as follows:

Exchange Markets

- the ERI has risen from 89.1 to 89.5;

- the £/$ rate is more or less unchanged at 1.6830 this week, compared to 1.6845 last week;

- the £/DM rate has risen again from 2.8451 to 2.8572.

Money Markets

- the three month inter-bank rate has eased further to 15 1/32% compared to 15 1/8% last week;

- long-gilt yields have also eased slightly from 11.317% to 11.224%.

Equities Market

- the equities market has fallen fractionally from 2371.4 on the FTSE to 2366.6.

Finally, the spot oil price has slipped further from $15.75 per barrel to $15.47.

BHP

BARRY H. POTTER

8 June 1990

A:\economic\weekly (pmm)

PRIME MINISTER

WEEKLY REPORT – EXCHANGE, MONEY AND EQUITIES MARKETS

Since last Friday 25 May, there has been relatively little change on the exchange rate – though it reached a recent peak of over 89.5 ERI yesterday on further speculation of imminent membership of the ERM. The equities market, however, has risen substantially.

The major changes since 25 May are:

· Exchange Markets

- the ERI is unchanged at 89.1
- the £/$ rate has eased from 1.6902 to 1.6845 (eased below 1.6810 at 10.00 p.m. this evening)
- the £/DM rate has risen from 2.8399 to 2.8451 (eased to 2.8565 this evening)

Money Markets

- the 3 month inter-bank rate has risen 1/16 to 15 1/8 %
- long-gilt yields are more or less unchanged at 11.317% (against 11.325 last week)

Equities Market

- the equities market has risen by over 100 points to 2371.4 on the FTSE – an increase of nearly 5%.

Finally, the spot oil price has again eased this week from $16.55 per barrel to $15.75.

BTHP

1/6

Prime Minister BHP 31/5 ①

SECRET

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Thursday 31 May 1990

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
89.4	£ERI	88.9	89.0	-14.8	4.0	-2.7
1.6977	$/£	1.6835	1.6775	22.7	9.8	0.8
2.8459	DM/£	2.8350	2.8442	-27.2	1.9	-5.1
1.3892	ECU/£	1.3810	1.3833			
67.3	$ERI	-	67.8	-31.4	-6.6	-2.6
1.6763	DM/$	1.6840	1.6955	-40.6	-7.2	-5.8
151.17	¥/$	151.8	152.45	-36.7	-0.7	6.8
90.18	¥/DM	90.14	89.91			

Jun $16.70 Jul $16.92 Aug $17.17 Spot Brent Jun $16.15 Jul $16.37 $16.77

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 90
9	714	827
22	-89	-343
31	625	484

(a) Spot and forward transactions on a done date basis.

(b)

	End May position *
Market intervention	712
Off-market transactions	-647
TOTAL	65
Net borrowing	-159
Valuation changes	0
TOTAL CHANGE IN RESERVES	-94

Very different from yesterday?

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

* To be published in May Reserves Press Release, 4 June.

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-	Germany	-	Italy	+141FFr,+118DM,+14Ecu
Denmark	-	Holland	-	Japan	-
France	-	Ireland	-	US	-

Canada +105$ (30.05.90)

MARKET COMMENT

Dollar firmed in New York, particularly against the DM on concern about events in the USSR and uncertainty about German unification against the background of the Bush/Gorbachev talks. Dollar continued to move higher in quiet European trading.

Sterling was lower overnight as exectations of early ERM entry subsided, and was lower again this morning on Poehl's comment that now was not a good time for sterling to enter the ERM. Sterling recovered some lost ground late morning, but then eased back.

Rates at 5:32pm $1.6770 DM2.8493 DM/$1.6970 ¥/$152.28 ¥/DM89.73.

Terry Smeeton on 0732 461216

NAME: Mr B Nelson
TEL NO: 270-5558

SECRET

MONEY MARKETS — Thursday 31st May 1990

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	14 31/32	-1/16	8 3/16	0
1 mth	15 1/16	1/32	8 1/4	0
3 mth	15 5/32	1/16	8 5/16	0
12 mth	15 1/16	3/32	8 11/16	0

BILLS

	Today	Change
3 Month Treasury Bills	14 17/32 - 15/32	0

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	366	14 7/8	14 15/16-7/8
Band 2 (15-31 days)	72	14 3/4	14 45/64-43/64
Band 3 (32-63 days)			14 43/64-41/64
Band 4 (64-91 days)			14 17/32-33/64
TOTAL BILLS	438		
Repurchase	456	for resale on 11/6 at 14 31/32 per cent	
Lending	165		
TOTAL OPERATIONS	1059	against shortage £	950 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.30	-0.03	8.61	-0.08	8.72	-0.08

GERMAN RATES

	3 mth I'bank		35 day REPO (23/5)	63 day
Today/Change	8.30	0.00	7.8-8.1	

STOCK MARKET

	FT Ind-Ord		FTSE	
Today/Change	1855.0	-2.4	2345.1	-1.1

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.7815	7.7815	0
Hang Seng Index	3083.35	3132.32	48.97
3 month interbank rate	9 15/32	9 15/32	unchanged

MARKET COMMENT

GILTS opened 1/4 lower in shorts and mediums and 3/8 down in longs as sterling lost ground after Mr Major's comments on ERM entry. There was then thin 2-way trade for the rest of the day and the market closed 1/8-1/4 softer through the list.

INDEX-LINKED opened and closed 1/4 weaker although the 1992 maturity put on 1/4 after some demand.

EQUITIES improved early despite easier sterling, weakened in the late morning before recovering in the afternoon to close little changed.

J Thorn.

NAME: James Welch
TEL NO: 270 4614

GILT-EDGED MARKET — **Thursday 31st May 1990**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	May	June
Gross sales shorts		346.1	
Gross sales mediums	4.8	1127.4	4.8
Gross sales longs and undated	29.3	866.5	29.3
Gross sales index-linked	2.9	344.9	2.9
Part paid calls			
Buying in non-next maturities shorts		-277.0	
Buying in non-next maturities mediums	-17.6	-1284.4	-17.6
Buying in non-next maturities longs	-16.9	-620.3	-16.9
Buying in non-next maturities index-linked	-3.2	-284.9	-3.2
CRND: Market transactions	-0.2	-18.2	-0.2
TOTAL 'GROSS' SALES	-0.9	199.2	-0.9
Buying in of next maturities		-61.4	
Redemptions	-0.3	-531.6	
TOTAL TRANSACTIONS WITH MARKET	-1.2	-393.8	-0.9

	Future calls
Sales required to meet * target of £ m	

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	12.361	10	-0.08
Mediums	12.128	12	-0.06
Longs	11.255	16	-0.05

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	91 14	-2	13.30	0.05
12% Exchequer 1998	98 22	-4	12.24	0.03
11 3/4% Treasury 2003/07	99 30	-6	11.76	0.03
3% Treasury 1992	86 6	-2	10.75	0.05
2 1/2% Index-Linked 2016	110 16	-10	4.12	0.01
2% Index-Linked 1994	107 20	2	4.53	-0.01

GILT FUTURES

		Open	Close	Volume
Long Contract	June	82.11	82.16	11904
Short Contract	June			

NAME: James Welch
TEL NO: 270 4614

PRIME MINISTER

WEEKLY REPORT - EXCHANGE MONEY AND EQUITIES MARKETS

Since last Friday 18 May there has been appreciation in the exchange rate. There has been little change on both equities and money markets.

The major changes since 18 May are as follows:

Exchange Markets

- the ERI has risen from 88.2 to 89.1;
- the £/$ rate has increased from 1.6898 to 1.6902;
- the £/DM rate has risen by nearly 5 pfennigs from DM2.7902 to DM2.8399.

Money Markets

- The key three month inter-bank rate has remained at 15 1/16;
- long gilt yields have risen marginally from 11.138 per cent to 11.325 per cent.

Equities Market

- The equities market has fallen by four points to 2265.6 on the FTSE: rises early on in the week were brought to a halt by the bad trade figures and equities have been falling gently over the last three days.

Finally, the spot oil price has eased a little from $17.55 to $16.55 per barrel.

BHP

nnb

BARRY POTTER

25 May 1990

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PRIME MINISTER

WEEKLY REPORT - EXCHANGE MONEY AND EQUITIES MARKET

Since last Friday 11 May there has been an improvement in the exchange, money and equities markets. Much of that improvement arose in the last two days: exchange and equities markets have been buoyed up by an expectation that we will join the ERM shortly.

The major changes since 4 May are as follows:-

Exchange Markets

- the ERI has risen from 87.1 to 88.2;
- the £/$ rate has increased from 1.6805 to 1.6898 (and was over $1.69 in overseas trading at 7 p.m. this evening)
- the £/DM rate has risen from DM 2.7729 to 2.7902.

Money Markets

- the key three month inter-bank rate has eased slightly by $\frac{2}{16}$ to $15\frac{1}{16}$%.
- long gilt yields have again eased further from 11.650% to 11.138%.

Equities Market

- the equities market has risen by more than 100 points (5%) over the last week: there was a spectacular rise of 60 points yesterday, moderated by a 15 points fall today. (However the market first rose a further 37 points today before the poor Wall Street performance overshadowed the UK market.)

Finally, the spot oil price has risen marginally over the week from $17.30 to $17.55 per barrel.

BHP

Barry H Potter

18 May 1990

c: market (MJ)

PRIME MINISTER

WEEKLY REPORT - EXCHANGE MONEY AND EQUITIES MARKETS

Since last Friday, 4 May, there has been an improvement in the equities market. The money market position is however more or less unchanged. On the exchange markets the picture is mixed.

The major changes since 4 May are as follows:

Exchange Markets

- The ERI has fallen from 87.6 to 87.1
- The £/$ rate, however, has risen from 1.6592 to 1.6805
- The £/DM rate has fallen from 2.7729 to 2.7409.

Money Markets

- The key three month inter-bank rate is unchanged at 15 3/16 %.
- Long gilt yields have again eased slightly from 11.941 per cent to 11.650 per cent.

Equities Market

- Equities have risen. After drifting downwards during the early part of the week, there was an improvement in the wake of the RPI figures today. Over the week as a whole the FTSE has risen by about 12 points.

Finally, the spot oil price has risen a little over the week from $15.75 to $17.30 per barrel.

BHP

BARRY H. POTTER
11 May 1990
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PRIME MINISTER

WEEKLY REPORT - EXCHANGE MONEY AND EQUITIES MARKETS

Since last Friday 27 April, the exchange, money and equities markets have all showed improvement. Most of that improvement arose today in response to the better than expected local election results.

The major changes since 27 April are as follows.

Exchange Markets

- The ERI rose from 86.7 to 87.6.

- The $/£ rate has risen from 1.6347 to 1.6592 (and was over 1.6640 at 7.30pm this evening).

- The DM/£ rate has risen nearly 3 pfennigs from 2.7450 to 2.7729.

Money Markets

- The key three month inter-bank rate remains unchanged at 15 9/32 %

- Long gilt yields have eased slightly from 12.122 per cent to 11.941 per cent.

Equities Market

- Equities have recovered most of the ground which they lost last week. The FTSE has gained over 50 points this week to stand at 2162.3 compared to the loss of 80 points over the course of last week.

Finally, the spot oil price has eased a little over the week from $16.57 to $15.75 per barrel.

BHP

B.H. POTTER

4 May 1990

Prime Minister
BTP 30/4

SECRET

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Monday 30 April 1990

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
86.7	£ERI	86.5	86.6	-17.0	1.2	-5.4
1.6347	$/£	1.6315	1.6350	19.6	7.0	-1.8
2.7450	DM/£	2.7383	2.7447	-29.7	-1.7	-8.4
1.3419	ECU/£	1.3397	1.3436			
68.4	$ERI	-	68.4	-30.8	-5.8	-1.7
1.6792	DM/$	1.6785	1.6787	-41.2	-8.1	-6.8
159.05	¥/$	159.3	158.95	-34.0	3.5	11.4
94.72	¥/DM	94.91	94.69			

May $16.57 June $17.05 July $17.42 Spot Brent May $16.55 June $17.22 July $17.57

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 90
45	113	113
-3	-266	-266
42	-153	-153

(b)

	End April position *
Market intervention	119
Off-market transactions	-284
TOTAL	-165
Net borrowing	77
Valuation changes (EMCF swap)	-179
TOTAL CHANGE IN RESERVES	-267

(a) Spot and forward transactions on a done date basis.

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

* As shown in Reserve Press Notice published 2 May.

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-	Germany	-	Italy	+21FFr, +28Ecu, +59DM
Denmark	-	Holland	-	Japan	-
France	-	Ireland	-	US	-

Sweden +50$; Portugal +9$.

MARKET COMMENT

Dollar was quiet in New York which saw some selling of Yen against DM. Tokyo closed for local holiday. Dollar remained in narrow range in quiet London trading ahead of tomorrow's European holiday.

Sterling eased in New York. Sterling saw some light selling early in London but then firmed on its high interest rate status during morning before easing slightly in quiet afternoon trading.

Rates at 6:20pm. $1.6370 DM2.7521 DM/$1.6812 ¥/$159.05 ¥/DM94.61.

Terry Smeeton on 0732 461216

NAME: Mr B Nelson
TEL NO: 270-5558

SECRET

MONEY MARKETS — **Monday 30th April 1990**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	15 1/32	1/16	8 5/16	0
1 mth	15 1/8	3/32	8 7/16	0
3 mth	15 3/8	3/32	8 5/8	0
12 mth	15 15/16	1/16	9 3/16	-1/16

BILLS

	Today	Change
3 Month Treasury Bills	14 21/32 -	19/32 1/32

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	551	14 7/8	14 15/16-13/16
Band 2 (15-31 days)	1072	14 3/4	14 3/4-23/32
Band 3 (32-63 days)			14 3/4-11/16
Band 4 (64-91 days)			14 3/4-23/32
TOTAL BILLS	1623		
Repurchase	1003	due 8and9 May at 14 15/16	
Lending	25		
TOTAL OPERATIONS	2651	against shortage £	2650 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.60	0.00	9.04	-0.03	9.14	-0.02

GERMAN RATES

	3 mth I'bank		28 day REPO (18/4)	63 day
Today/Change	8.35	0.10	7.8-7.95	7.85-8.10

STOCK MARKET

	FT Ind-Ord		FTSE	
Today/Change	1653.6	-5.1	2103.4	-3.2

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.7933	7.7935	-0.0002
Hang Seng Index	2986.33	2950.09	-36.24
3 month interbank rate	9 13/16	10 1/16	up 1/4

MARKET COMMENT

GILTS opened 1/16 lower through the list but quickly lost ground with sterling on continuing concern over the local authority elections on Thursday. At worst the market was nearly 5/8 lower but good domestic demand pulled it off the bottom. The market closed on a reasonably firm note with shorts and mediums up 1/16 and longs nearly 1/4 firmer.
INDEX-LINKED opened unchanged and eased to close 1/8 lower.
EQUITIES opened lower, rapidly fell further but gradually recovered most of the losses in thin trading. (Recovery was helped by ICI results above expectation.

NAME: James Welch
TEL NO: 270 4616

GILT-EDGED MARKET — **Monday 30th April 1990**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	April	May
Gross sales shorts		157.1	
Gross sales mediums	76.4	714.4	76.4
Gross sales longs and undated	31.3	490.3	31.3
Gross sales index-linked	8.7	216.4	8.7
Part paid calls			
Buying in non-next maturities shorts	-21.9	-179.3	-21.9
Buying in non-next maturities mediums	-61.6	-773.7	-61.6
Buying in non-next maturities longs	-25.3	-404.2	-25.3
Buying in non-next maturities index-linked	-9.4	-223.6	-9.4
CRND: Market transactions		-25.5	
TOTAL 'GROSS' SALES	-1.8	-29.9	-1.8
Buying in of next maturities		-14.0	
Redemptions	-0.1	-7.5	
TOTAL TRANSACTIONS WITH MARKET	-1.9	-51.4	-1.8

Future calls

Sales required to meet * target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	13.604	-6	0.05
Mediums	13.242	3	-0.02
Longs	12.217	8	-0.03

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	89 16	0	14.33	0.00
12% Exchequer 1998	93 15	0	13.29	0.00
11 3/4% Treasury 2003/07	94 4	8	12.60	-0.04
3% Treasury 1992	83 4	0	12.30	0.01
2 1/2% Index-Linked 2016	105 8	-4	4.23	0.01
2% Index-Linked 1994	104 20	-2	4.43	0.02

GILT FUTURES

		Open	Close	Volume
Long Contract	June	77.01	77.12	23701
Short Contract	June			

NAME: James Welch
TEL NO: 270 4616

PRIME MINISTER

WEEKLY REPORT - EXCHANGE MONEY AND EQUITIES MARKET

As well as the usual evening report, I thought it might be helpful to summarise the main developments over the week.

Since last Friday, 20 April, the main changes have been as follows.

Exchange Markets

- The ERI has fallen from 87.2 to 86.7.

- The $/£ rate has dropped from 1.6407 to 1.6347.

- The DM/£ rate has fallen nearly 2 pfennigs from 2.7624 to 2.7450.

Money Markets

- The key three month inter-bank rate has risen by 3/32 to 15 9/32 %.

- Long gilt yields have risen slightly from 11.892 per cent to 12.122 per cent.

Equities Market

- This has been the major development over the last week. The Equities Market has fallen steadily. The FTSE has dropped by over 80 points to 2106.6 - nearly a four per cent fall. On the FT ordinary index, the fall is just over 3 per cent.

Finally, the spot oil price is unchanged over the week at $16.57 per barrel.

BHP

BARRY H. POTTER
27 April 1990

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RA 1 SECRET Prime Minister

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MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Friday 30 March 1990

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
87.3	£ERI	87.8	87.9	-15.8	2.7	-3.9
1.6310	$/£	1.6425	1.6455	20.3	7.7	-1.1
2.7714	DM/£	2.7840	2.7870	-28.7	-0.2	-7.0
1.3562	ECU/£	1.3616	1.3632			
68.7	$ERI	-	68.6	-30.6	-5.5	-1.4
1.6992	DM/$	1.6950	1.6937	-40.7	-7.3	-5.9
157.07	¥/$	157.50	157.85	-34.5	2.8	10.6
92.44	¥/DM	92.92	93.20			

Apr $17.92 May $18.17 June $18.35 Spot Brent Apr $18.10 May $18.35 June $18.47

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 89
32	-123	-9569
41	21	671
73	-102	-8898

(a) Spot and forward transactions on a done date basis.

(b)

	End March position *
Market intervention	-329
Off-market transactions	-100
TOTAL	-429
Net borrowing	-18
Valuation changes	0
TOTAL CHANGE IN RESERVES	-447

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

* As shown in Reserves Press Notice published 3 April

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-	Germany	-	Italy	-
Denmark	-	Holland	-	Japan	-
France	-	Ireland	-	US	-

Sweden +78$, +76¥, +77Ecu, Greece 10$, Portugal +37$; Canada +63¥ and Canada +25$, +133¥(29.03)

MARKET COMMENT

The dollar was weaker in New York but recovered some lost ground in the Far East on fall in the Nikkei. Dollar quiet and steady in London, as markets look ahead to pact to support the Yen. February's factory orders as expected and had no effect.

Sterling was firmer in New York, but quiet and steady in Far East and London. It firmed at close on technical demand out of New York.

Rates at 5.40p.m. $1.6490 DM2.7843 DM/$1.6865 ¥/$157.45 ¥/DM93.36.

Terry Smeeton on 0732 461216

NAME: Mr B Nelson
TEL NO: 270-5558

SECRET

MONEY MARKETS — **Friday 30th March 1990**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	14 7/8	0	8 5/16	1/16
1 mth	14 63/64	0	8 5/16	0
3 mth	15 7/32	0	8 7/16	0
12 mth	15 17/32	-1/32	8 7/8	0

BILLS

	Today	Change
3 Month Treasury Bills	14 5/8 - 9/16	-1/32

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	10	14 7/8	14 7/8/13/16
Band 2 (15-31 days)	467	14 3/4	14 45/64-11/16
Band 3 (32-63 days)			14 45/64-43/64
Band 4 (64-91 days)			14 5/8-39/64
TOTAL BILLS	477		
Repurchase			
Lending	55		
TOTAL OPERATIONS	532	against shortage	£ 500 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.40	0.00	8.62	0.12	8.72	0.11

GERMAN RATES

	3 mth I'bank		35 day REPO (set 21/3)	63 day REPO
Today/Change	8.35	0.00	7.8-8.15	7.95-8.10

STOCK MARKET

	FT Ind-Ord		FTSE	
Today/Change	1768.7	-12.5	2247.9	-15.1

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.815	7.809	0.006
Hang Seng Index	3000.52	2997.98	-2.54
3 month interbank rate	8 15/16	9 3/4	up 13/16

MARKET COMMENT

GILTS opened 1/8 better in shorts and 3/8 firmer in mediums and longs as sterling and the DM bond improved. At the higher levels Japanese sellers emerged and this pushed prices back. Market closed with shorts down 1/16 and mediums and longs unchanged.

INDEX LINKED opened 1/4 better but drifted to close unchanged.

EQUITIES opened lower, on Tokyo's weakness, but quickly recovered with sterling, and moved ahead in the late morning. However, selling on Wall Street depressed prices in late afternoon and market closed weakly.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4616

GILT-EDGED MARKET — **Friday 30th March 1990**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	March	April
Gross sales shorts	3.8	602.5	3.8
Gross sales mediums	51.7	937.3	51.7
Gross sales longs and undated	79.1	796.1	79.1
Gross sales index-linked	2.7	324.6	2.7
Part paid calls			
Buying in non-next maturities shorts	-4.3	-609.6	-4.3
Buying in non-next maturities mediums	-91.0	-1000.5	-91.0
Buying in non-next maturities longs	-33.5	-804.8	-33.5
Buying in non-next maturities index-linked	-3.6	-311.3	-3.6
CRND: Market transactions		-5.9	
TOTAL 'GROSS' SALES	4.9	-66.7	4.9
Buying in of next maturities		-11.7	
Redemptions	-1.7	-810.4	
TOTAL TRANSACTIONS WITH MARKET	3.2	-888.8	4.9

Future calls

Sales required to meet * target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	13.028	-2	0.02
Mediums	12.521		
Longs	11.594		

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	89 24	0	13.96	0.02
12% Exchequer 1998	96 22	0	12.64	0.00
11 3/4% Treasury 2003/07	98 8	0	12.02	0.00
3% Treasury 1992	83 2	0	12.00	0.03
2 1/2% Index-Linked 2016	107 12	0	4.06	0.01
2% Index-Linked 1994	104 13	1	4.20	0.01

GILT FUTURES

		Open	Close	Volume
Long Contract	June	81.22	81.01	15731
Short Contract	June			

NAME: Peter Smith
TEL NO: 270 4616

SECRET

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Wednesday 28 February 1990

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
89.6	£ERI	89.6	89.9	-14.2	4.7	-2.1
1.6897	$/£	1.6860	1.6905	23.6	10.6	1.5
2.8466	DM/£	2.8544	2.8632	-27.1	2.0	-5.0
1.3918	ECU/£	1.3950	1.3965			
67.5	$ERI	-	67.6	-31.7	-7.0	-3.0
1.6847	DM/$	1.6930	1.6937	-41.0	-7.8	-6.4
148.65	¥/$	148.6	148.8	-38.3	-3.2	4.2
88.24	¥/DM	87.77	87.85			

Mar $19.50 Apr $19.55 May $19.62 Spot Brent Mar 19.27 Apr $19.37 May $19.35

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 89
-43 #	350	-9354
-13	-77	782
-56	273	-8572

(a) Spot and forward transactions on a done date basis.

o/w New York: -
Far East: -

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

(b)

	February end-month position *
Market intervention	449
Off-market transactions	-335
TOTAL	114
Net borrowing	-25
Valuation changes	0
TOTAL CHANGE IN RESERVES	89

* As published in Reserves press release on Friday 2 March

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-13ILr	Germany	-	Italy	+37DM, +29BFr
Denmark	+13Ecu	Holland	-	Japan	-200$
France	-	Ireland	+31DM	US	-100$ against ¥ (27.02.90)

Norway -385$; Sweden +110$, +106DM, +108£; Greece -10$; Portugal -26$

MARKET COMMENT

Dollar slightly firmer in New York on technical demand and steady in London. Far East saw selling of DM against ¥ on profit-taking and recovery in Japanese stock market.

After a steady start in London this morning sterling fell sharply by 1 1/2 cents to $1.6712 on publication of worse than expected trade figures for January but quickly recovered lost ground ground with some official assistance. Sterling ended the day on a firm note.

Rates at 6:05pm $1.6845 DM2.8675 DM/$1.7023 ¥/$149.0 ¥/DM87.53.

Michael Foot on 0240 65806

NAME: Mr B Nelson
TEL NO: 270-5558

SECRET

MONEY MARKETS — **Wednesday 28th February 1990**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	14 15/16	0	8 1/4	1/16
1 mth	15 1/32	1/32	8 5/16	0
3 mth	15 3/32	0	8 5/16	0
12 mth	15 9/32	1/32	8 5/8	0

BILLS

	Today	Change
3 Month Treasury Bills	14 17/32 - 15/32	0

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	261	14 7/8	14 15/16-7/8
Band 2 (15-31 days)	759	14 3/4	14 3/4-47/64
Band 3 (32-63 days)			14 23/32-21/32
Band 4 (64-91 days)			14 9/16-17/32
TOTAL BILLS	1020		
Repurchase			
Lending	475		
TOTAL OPERATIONS	1495	against shortage	£ 1550 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.30	0.00	8.42	-0.04	8.58	-0.04

GERMAN RATES

	3 mth I'bank		34 day REPO (set 28/2)	63 day REPO
Today/Change	8.35	0.00	7.8-8.1	7.95-8.25

STOCK MARKET

	FT Ind-Ord		FTSE	
Today/Change	1781.4	-0.1	2255.4	0.6

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.8085	7.8085	0
Hang Seng Index	2932.62	2951.98	19.36
3 month interbank rate	8 13/16	8 7/8	up 1/16

MARKET COMMENT

GILTS opened 1/16 weaker in shorts and 1/16 to 1/8 lower in shorts and mediums and traded quietly until 11.30 trade figures. These shocked the market which quickly lost 5/8. There was little business at this level, but after some aggressive selling from US, the market weakened sharply with GEMMs reluctant to hold long positions. Market closed with shorts 3/4-7/8 weaker, mediums 1 1/8 to 1 1/4 lower and longs up to 1 1/2 softer.

INDEX LINKED opened 1/2 softer but initially improved by 1/4 on rumours of large buyer. The sector then fell after the 11.30 figures, but not as fat as conventionals, to close 3/4-7/8 lower.

EQUITIES opened marginally higher and traded quietly with the trade figures making little impact. With sterling steady, market cautiously trod water for rest of day in thin conditions helped by improved tone in Tokyo and New York.

Pete Smith

NAME: Peter Smith
TEL NO: 270 4616

GILT-EDGED MARKET — **Wednesday 28th February 19**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS	**Today**	**February**	**March**
Gross sales shorts	77.7	416.8	77.7
Gross sales mediums	21.3	564.2	21.3
Gross sales longs and undated	24.3	758.4	24.3
Gross sales index-linked	32.2	450.4	32.2
Part paid calls			
Buying in non-next maturities shorts	-58.6	-443.6	-58.6
Buying in non-next maturities mediums	-87.1	-655.5	-87.1
Buying in non-next maturities longs	-23.5	-589.5	-23.5
Buying in non-next maturities index-linked	-28.3	-614.4	-28.3
CRND: Market transactions		-7.8	
TOTAL 'GROSS' SALES	-42.0	-121.0	-42.0
Buying in of next maturities		-5.7	
Redemptions	-0.6	-1224.2	
TOTAL TRANSACTIONS WITH MARKET	-42.6	-1350.9	-42.0

Future calls

Sales required to meet * target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close Par yield (per cent)	**Change from yesterday's close** Price (£/32)	Yield (%)
Shorts	12.121	-26	0.21
Mediums	11.418	-35	0.18
Longs	10.806	-48	0.16

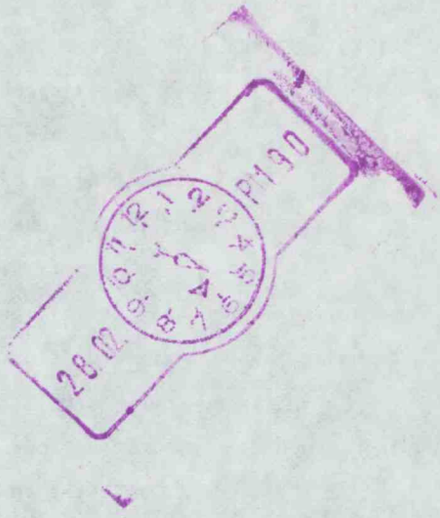
REPRESENTATIVE STOCKS

	Price (£/32) Today	Change	**Yield (per cent)** Today	Change
8% Treasury 1992	90 18	-11	13.23	0.21
12% Exchequer 1998	100 18	-35	11.89	0.20
11 3/4% Treasury 2003/07	102 22	-48	11.35	0.22
3% Treasury 1992	84	-2	11.12	0.04
2 1/2% Index-Linked 2016	109 28	-24	3.89	0.03
2% Index-Linked 1994	104 10	-4	4.02	0.03

GILT FUTURES

		Open	Close	Volume
Long Contract	March	85.24	84.16	16066
Short Contract	March			

NAME: Peter Smith
TEL NO: 270 4616



SECRET

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS — Wednesday 31 January 1990

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
88.9	£ERI	89.1	89.0	-14.8	4.0	-2.7
1.6847	$/£	1.6775	1.6802	22.9	9.9	0.9
2.8244	DM/£	2.8333	2.8320	-27.5	1.5	-5.5
1.3842	ECU/£	1.3888	1.3875			
66.8	$ERI	-	67	-32.2	-7.7	-3.7
1.6765	DM/$	1.6890	1.6855	-41.0	-7.7	-6.4
143.80	¥/$	144.3	144.4	-40.0	-6.0	1.2
85.77	¥/DM	85.44	85.67			

Feb $20.60 Mar $19.92 Apr $19.40 Spot Brent Feb $20.37 Mar $19.67 Apr $19.17

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 89
30 #	532	-9704
41	217	857
71	749	-8847

(a) Spot and forward transactions on a done date basis.

o/w New York:
Far East:

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

(b)

	End-month position
Market intervention	77
Off-market transactions	3
TOTAL	80
Net borrowing	-19
Valuation changes (EMCF swap)	-258
TOTAL CHANGE IN RESERVES	-197

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-	Germany	-	Italy	+238DM,+28FFr,+34Ecu +15DKr,+14BFr
Denmark	-	Holland	-	Japan	-
France	+208DM	Ireland	+25$	US	-

Greece -11$; Portugal +29$; Finland +16$; Norway -45$.

MARKET COMMENT

Dollar rose in New York to high of DM1.7130 on sale of DM following TV report that President Gorbachev would resign. Dollar fell in Far East on Russian denial. In London dollar traded in narrow ranges at lower levels.

Overnight sterling moved up against DM as dollar strengthened. In London sterling was steady.

Rates at 6:12pm $1.6810 DM2.8316 DM/$1.6845 ¥/$144.40 ¥/DM85.72.

Chris Bailey on Vodophone 0860 599398.

NAME: Mr B Nelson
TEL NO: 270-5558

SECRET

SECRET

MONEY MARKETS — Wednesday 31st January 1990

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	14 7/8	0	8 3/16	0
1 mth	15 1/32	0	8 1/4	0
3 mth	15 1/16	0	8 5/16	0
12 mth	14 15/16	0	8 5/8	1/16

BILLS

	Today	Change
3 Month Treasury Bills	14 33/64 - 31/64	1/64

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			14 15/16-13/16
Band 2 (15-31 days)	200	14 3/4	14 3/4-23/32
Band 3 (32-63 days)			14 43/64-41/64
Band 4 (64-91 days)			14 17/32-1/2
TOTAL BILLS	200		
Repurchase			
Lending			
TOTAL OPERATIONS	200	against shortage	£ 300 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.25	0.05	8.51	-0.03	8.65	-0.03

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1864.0	11.0	2337.3	15.3		0.00

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.812	7.8115	0.0005
Hang Seng Index	2760.8	2751.6	-9.2
3 month interbank rate	8 17/32	8 7/16	down 3/32

MARKET COMMENT

GILTS opened 3/16 better in shorts and mediums and 1/8 firmer in longs after overnight improvement in US bond market. Market fell back after denial of rumours that Gorbachev was resigning. The market was also affected by continuation of worries of more Japanese selling as sterling/yen approached 243 and impending sterling issues. The US leading indicator numbers passed with little effect and the market closed with shorts 1/16 better, mediums 1/16 softer and longs 1/8 easier.

INDEX LINKED opened 1/8 better but initially fell with conventionals being 1/4 down at one stage before recovering to close at opening levels.

EQUITIES opened easier but gradually improved, closing at the day's high little affected by Wall Street's strong early gains.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4616

GILT-EDGED MARKET — Wednesday 31st January 199

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	January	February
Gross sales shorts	28.4	819.8	28.4
Gross sales mediums	9.7	1078.8	9.7
Gross sales longs and undated	39.3	590.7	39.3
Gross sales index-linked	10.2	319.1	10.2
Part paid calls			
Buying in non-next maturities shorts	-25.2	-1001.1	-25.2
Buying in non-next maturities mediums	-12.2	-1074.6	-12.2
Buying in non-next maturities longs	-37.0	-698.9	-37.0
Buying in non-next maturities index-linked	-9.5	-347.5	-9.5
CRND: Market transactions	-0.1	-3.1	-0.1
TOTAL 'GROSS' SALES	3.6	-312.2	3.6
Buying in of next maturities		-111.3	
Redemptions	-18.2	-1423.9	
TOTAL TRANSACTIONS WITH MARKET	-14.6	-1847.4	3.6

Future calls

Sales required to meet * target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	11.808	2	-0.02
Mediums	11.093	-2	0.01
Longs	10.472	-5	0.02

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	91	2	12.81	-0.03
8 3/4 Treasury 1997 'C'	87 22	-2	11.19	0.01
11 3/4% Treasury 2003/07	106 11	-5	10.83	0.02
3% Treasury 1992	84 8	2	10.73	-0.03
2 1/2% Index-Linked 2016	112 14	4	3.73	-0.01
2% Index-Linked 1994	105 8	4	3.63	-0.03

GILT FUTURES

		Open	Close	Volume
Long Contract	March	88.06	87.28	20347
Short Contract	March			

NAME: Peter Smith
TEL NO: 270 4616

SECRET

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Friday 29 December 1989

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
85.8	£ERI	85.6	86.0	-17.6	0.5	-6.0
1.6123	$/£	1.6035	1.6125	17.9	5.5	-3.1
2.7219	DM/£	2.7155	2.7275	-30.2	-2.3	-9.0
1.3440	ECU/£	1.3420	n/a			
67.2	$ERI	-	67.3	-31.9	-7.3	-3.3
1.6882	DM/$	1.6935	1.6915	-40.8	-7.4	-6.1
143.25	¥/$	143.6	143.8	-40.3	-6.3	0.8
84.85	¥/DM	84.77	85.01			

Jan $20.90 Feb $20.15 Mar $19.50 Spot Brent Jan $20.95 Feb $20.17 Mar $19.55

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 89
-104 #	45	-10236
23	171	642
-81	216	-9594

(a) Spot and forward transactions on a done date basis.

includes New York: -22
Far East:

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

(b)

	End-month position
Market intervention	346
Off-market transactions	-8
TOTAL	338
Net borrowing	-460
Valuation changes	0
TOTAL CHANGE IN RESERVES	-122

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-	Germany	-	Italy	-
Denmark	-58$	Holland	-	Japan	-
France	-177DM, -185$	Ireland	-78$	US	-

Spain -45$, -37DM; Portugal +48$, +35SwFr, +14Ecu; Norway -29$.

MARKET COMMENT

In thin market in New York sterling fell sharply on selling orders. In the Far East it saw an all-time low of DM2.70 1/4 before recovering some lost ground. In early morning trading in London sterling firmed in quiet conditions ahead of the UK November trade figures. Sterling immediately gained a pfennig on publication of better than expected data, but then eased back. Sterling closed on a firmer tone in very quiet conditions.

The dollar was steady against DM overnight and in London this morning it moved up on technical factors in very thin conditions, breaching DM1.70 before meeting some resistance. It ended the year slightly easier on the day.

Rates at 5:35pm $1.6130 DM2.7284 DM/$1.6915 ¥/$143.90 ¥/DM85.07

Terry Smeeton on duty. Tel 0732 461216

NAME: Mr B Nelson
TEL NO: 270-5558

SECRET

SECRET

MONEY MARKETS — Friday 29th December 1989

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	15	0	8 1/2	1/16
1 mth	15 1/16	-1/32	8 7/16	0
3 mth	15 1/8	1/32	8 5/16	0
12 mth	14 5/8	0	8 3/16	0

BILLS

	Today	Change
3 Month Treasury Bills	14 17/32 - 13/32	0

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	281	14 7/8	14 7/8
Band 2 (15-31 days)	413	14 3/4	14 49/64-3/4
Band 3 (32-63 days)			14 11/16-21/32
Band 4 (64-91 days)			14 33/64-1/2
TOTAL BILLS	694		
Repurchase	20		
Lending	70		
TOTAL OPERATIONS	784	against shortage	£ 950 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.27	0.00	7.93	0.00	8.09	0.00

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1916.6	20.4	2422.7	23.9		0.00

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.8095	7.81	-0.0005
Hang Seng Index	2895.43	2836.57	-58.86
3 month interbank rate	8 9/16	8 9/16	unchanged

MARKET COMMENT

PROBLEM AT BANK - MARKET COMMENT + GILT TRANSACTIONS WILL BE CIRCULATED ON TUESDAY

Peter Smith

NAME: Peter Smith
TEL NO: 270 4616

SECRET

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Thursday 30 November 1989

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
85.9	£ERI	86.6	86.4	-17.2	0.9	-5.6
1.5620	$/£	1.5705	1.5692	14.7	2.7	-5.7
2.7796	DM/£	2.8143	2.8034	-28.2	0.4	-6.5
1.3667	ECU/£	1.3796	1.3747			
68.9	$ERI	-	68.9	-30.3	-5.1	-1.0
1.7825	DM/$	1.7920	1.7865	-37.5	-2.2	-0.8
142.82	¥/$	142.7	142.85	-40.7	-7.0	0.1
80.12	¥/DM	79.60	79.96			

Dec $18.20 Jan $18.10 Feb $17.90 Spot Brent Dec $18.40 Jan $18.35 Feb $18.05

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 89
33	-899	-10281
27	-189	471
60	-1088	-9810

(a) Spot and forward transactions on a done date basis.

(b)

	November end-month position
Market intervention	-975
Off-market transactions	44
TOTAL	-931
Net borrowing	14
Valuation changes	0
TOTAL CHANGE IN RESERVES	-917

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

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-	Germany	-	Italy	-
Denmark	-	Holland	-	Japan	-
France	-	Ireland	-	US	-

Greece -16$, Portugal +90$, Norway -70$, Sweden -20$, Canada +62$.

MARKET COMMENT

After firming slightly in New York against the DM weakened on profit taking, the dollar eased against both the Yen and the DM in the Far East on comments by the Bank of Japan that it preferred a stronger yen. In London the dollar opened higher against the DM on news of the assassination of the head of the Deutsche Bank, Mr Herrhausen. It has eased against the DM, but steady against the yen, during the day and after close fell on rumours (since denied) that Greenspan had resigned.

Sterling firmed against both the DM and the dollar overnight, before moving up sharply against the DM in early London trading. During the day it has lost some of its gains, especially against the DM.

Rates at 5:30pm. $1.5695 DM2.7961 DM/$1.7815 Yen/$142.90 Yen/DM80.21.

Michael Foot on duty. Tel:0240 65806

NAME: Mr B Nelson
TEL NO: 270-5558

SECRET

SECRET

MONEY MARKETS — **Thursday 30th November 1989**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	15	1/16	8 7/16	-1/8
1 mth	15 1/8	0	8 3/4	0
3 mth	15 7/32	0	8 7/16	0
12 mth	14 3/4	1/32	8 3/16	0

BILLS

	Today	Change
3 Month Treasury Bills	14 19/32 - 15/32	-1/8

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	500	14 7/8	14 15/16-13/16
Band 2 (15-31 days)	364	14 3/4	14 13/16-25/32
Band 3 (32-63 days)			14 25/32-49/64
Band 4 (64-91 days)			14 41/64-5/8
TOTAL BILLS	864		
Repurchase	200	on 11/12 at 14 31/32%	
Lending	120		
TOTAL OPERATIONS	1184	against shortage	£ 1200 m

US RATES

	3 month CDs	10 yr Tsy Bond	20 yr Tsy Bond
Today/Change	8.30 -0.15	8.01 0.16	7.92 -0.08

STOCK MARKET

	FT Ind-Ord	FTSE	Gilt index
Today/Change	1805.6 23.9	2276.8 21.2	0.00

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.8135	7.814	-0.0005
Hang Seng Index	2751.48	2748.35	-3.13
3 month interbank rate	8 5/16	8 1/4	down 1/16

MARKET COMMENT

GILTS opened better squeezed up with sterling with shorts up 1/16 and mediums and longs 3/16 better. The market continued to improve despite an £80mn 23 year debenture and at best was nearly 3/8 stronger. At the higher levels profit-taking took place and there was some good domestic selling as the currency fell back. The market closed on a weak note with shorts down 1/8, mediums 3/16 and longs 1/4.

INDEX-LINKED opened up to 1/4 stronger and held up as conventionals fell to close at opening levels.

EQUITIES moved ahead in the afternoon, after trading quietly and little changed in the afternoon.

J. Welch

NAME: James Welch
TEL NO: 270 4616

GILT-EDGED MARKET — Thursday 30th November 198

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS	Today	November	December
Gross sales shorts	21.8	486.7	21.8
Gross sales mediums	35.3	690.7	35.3
Gross sales longs and undated	33.7	696.8	33.7
Gross sales index-linked	18.8	329.1	18.8
Part paid calls			
Buying in non-next maturities shorts	-40.7	-553.8	-40.7
Buying in non-next maturities mediums	-45.3	-731.6	-45.3
Buying in non-next maturities longs	-58.8	-818.7	-58.8
Buying in non-next maturities index-linked	-19.4	-359.3	-19.4
CRND: Market transactions	-0.1	-0.4	-0.1
TOTAL 'GROSS' SALES	-54.7	-260.5	-54.7
Buying in of next maturities		-13.5	
Redemptions	-0.3	-149.2	
TOTAL TRANSACTIONS WITH MARKET	-55.0	-423.2	-54.7

			Future calls
Sales required to meet	June	target of £ m	

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Yield (%)
Shorts	11 3/32	-4	0.03
Mediums	10·695	-2	0.01
Longs	10·134	-6	0.02

REPRESENTATIVE STOCKS

	Price (£/32) Today	Price (£/32) Change	Yield (per cent) Today	Yield (per cent) Change
8% Treasury 1992	91 10	-2	12.33	0.04
8 3/4 Treasury 1997 'C'	89 12	-2	10.80	0.01
11 3/4% Treasury 2003/07	108 26	-8	10.49	0.03
3% Treasury 1992	84 6	0	10.26	0.01
2 1/2% Index-Linked 2016	111 28	8	3.69	-0.01
2% Index-Linked 1994	104 2	2	3.58	-0.01

GILT FUTURES

		Open	Close	Volume
Long Contract	March	91.09	91.00	16073
Short Contract	*			

NAME: James Welch
TEL NO: 270 4616

→ PM

SECRET

Prime Minister

RRC 6 31/10

FOREIGN EXCHANGE MARKETS

MG EVENING REPORT

Tuesday 31 October 1989

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
88.3	£ERI	88.4	88.4	-15.3	3.3	-3.4
1.5795	$/£	1.5782	1.5797	15.5	3.4	-5.1
2.9000	DM/£	2.9074	2.9051	-25.6	4.1	-3.1
1.4133	ECU/£	1.4168	1.4152			
69.5	$ERI	-	69.6	-29.6	-4.1	0.0
1.8360	DM/$	1.8422	1.839	-35.6	0.7	2.1
142.00	Yen/$	142.2	142.6	-40.8	-7.1	-0.1
77.34	Yen/DM	77.19	77.54			

Nov $19.55 Dec $18.67 Jan $18.17 Spot Brent Nov $19.50 Dec $18.60 Jan $18.17

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 89
7	-4527	-9392
-31	40	660
-24	-4487	-8732

(a) Spot and forward transactions on a done date basis.

(b)

	October end-month position
Market intervention	
Off-market transactions	
TOTAL	-2895
Net borrowing	-154
Valuation changes (EMCF swap)	-146
TOTAL CHANGE IN RESERVES	-3195

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

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium -	Germany -	Italy -
Denmark -	Holland -	Japan -
France -	Ireland -	US -
Portugal +27$		

MARKET COMMENT

The dollar firmed a little overnight, with reports of some demand from Japanese importers. In London this morning the dollar fell back a little against a strong DM, which benefitted from some technical demand, but edged up against the yen. This afternoon the dollar firmed slightly in afternoon trading on book squaring at end of month.

Sterling moved up against the DM overnight, helped by a firmer dollar, before falling back in morning trading. Pound saw some good corporate demand in afternoon trading but market remains cautious ahead of tonight's economic debate.

Rates at 5:46pm. $1.5795 DM2.9015 DM/$1.8370 Yen/$142.50 Yen/DM77.57

Michael Foot on duty

NAME: Mr B Nelson
TEL NO: 270-5558

SECRET

at 19.30 $1.585 DM 2.91

SECRET

MONEY MARKETS — Monday 30th October 1989

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	15 1/16	0	8 3/4	0
1 mth	15 1/4	0	8 11/16	1/16
3 mth	15 11/32	3/32	8 5/8	0
12 mth	14 11/16	3/32	8 3/8	1/16

BILLS

	Today	Change
3 Month Treasury Bills	14 5/8 - 1/2	-1/16

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			15-14 3/4
Band 2 (15-31 days)			14 15/16-7/8
Band 3 (32-63 days)			14 27/32-25/32
Band 4 (64-91 days)			14 21/32-5/8
TOTAL BILLS	0		
Repurchase			
Lending	150		
TOTAL OPERATIONS	150	against shortage	£ 150 m

US RATES

	3 month CDs	10 yr Tsy Bond	20 yr Tsy Bond
Today/Change	8.51 -0.01	7.91 -0.03	8.01 -0.04

STOCK MARKET

	FT Ind-Ord	FTSE	Gilt index
Today/Change	1721.4 19.7	2142.6 30.4	0.00

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.4195	7.81	-0.3905
Hang Seng Index	2680.3	2725.29	44.99
3 month interbank rate	8 7/16	8 3/8	down 1/16

MARKET COMMENT

GILTS opened better with shorts up 1/8, mediums 3/16 and longs 1/4 as the currency was better. However profit-taking as the market improved further by accounts who bought on Friday morning pushed the market below opening levels. The market then stagnated waiting for Mr Major's announcement in the Commons and closed unchanged in shorts and 1/16 firmer in mediums and longs.

INDEX-LINKED opened 1/2 better, the day's best, but as demand petered out the sector fell back and closed 1/4-3/8 firmer.

EQUITIES opened firmer and made progressive gains over the day, helped by a steady performance from sterling. M&S profits of £208.7mn (up 12%) were at the top of expectations. Jaguar shares resumed, after earlier suspension, sharply higher on news that the Government would wave its golden share, thereby pathing the way for possible takeover moves.

J. Welch

NAME: James Welch
TEL NO: 270 4616

GILT-EDGED MARKET — Monday 30th October 1989

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	October	November
Gross sales shorts	19.9	1149.0	19.9
Gross sales mediums	18.3	709.1	18.3
Gross sales longs and undated	3.8	1129.8	3.8
Gross sales index-linked	35.3	388.6	35.3
Part paid calls			
Buying in non-next maturities shorts	-19.4	-1144.0	-19.4
Buying in non-next maturities mediums	-18.5	-1153.8	-18.5
Buying in non-next maturities longs	-4.0	-1235.0	-4.0
Buying in non-next maturities index-linked	-28.4	-468.8	-28.4
CRND: Market transactions	4.4	4.6	4.4
TOTAL 'GROSS' SALES	11.4	-620.5	11.4
Buying in of next maturities	-5.9	-21.3	-5.9
Redemptions	-1.7	-240.9	
TOTAL TRANSACTIONS WITH MARKET	3.8	-882.7	5.5

			Future calls	
Sales required to meet	June	target of	£ ========== m	

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	10.996		
Mediums	10.455	2	-0.01
Longs	9.872	2	-0.01

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	92 8	0	11.72	0.00
8 3/4 Treasury 1997 'C'	90 29	3	10.48	-0.01
11 3/4% Treasury 2003/07	111 16	2	10.14	-0.01
3% Treasury 1992	84 20	0	9.81	0.00
2 1/2% Index-Linked 2016	113 16	8	3.56	-0.02
2% Index-Linked 1994	103 12	4	3.53	-0.02

GILT FUTURES

		Open	Close	Volume
Long Contract	December	92.20	92.18	5466
Short Contract	December			

NAME: James Welch
TEL NO: 270 4616

SECRET

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS — Friday 29 September 1989

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
91.2	£ERI	91.6	91.4	-12.5	6.8	-0.1
1.6090	$/£	1.6265	1.619	18.4	5.9	-2.7
3.0281	DM/£	3.0354	3.0291	-22.5	8.5	1.1
1.4662	ECU/£	1.4723	1.4666			
69.9	$ERI	-	69.5	-29.7	-4.3	-0.1
1.8820	DM/$	1.8662	1.871	-34.5	2.4	3.9
140.65	Yen/$	139.40	139.47	-42.1	-9.2	-2.3
74.73	Yen/DM	74.70	74.54			

Oct $17.92 Nov $17.85 Dec $17.72 Spot Brent Oct $18.30 Nov $18.10 Dec $17.90

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 88
-575	-1149	-6014
10	249	869
-565	-900	-5145

(a) Spot and forward transactions on a done date basis.

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

(b)

	September end-month position
Market intervention	-184
Off-market transactions	42 *
TOTAL	-142
Net borrowing	-190
Valuation changes	0
TOTAL CHANGE IN RESERVES	-332

*includes +$260 million in British Steel receipts.

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-79$	Germany	-50$	Italy	-29$,-51Ecu
Portugal	-29$;Finland -225$,-11DM;Norway -83$;Greece -6$.				
Denmark	-	Holland	-50$	Japan	-
France	-50$	Ireland	-100$	US	-220$ agst DM(28th)
				"	-70$ agst Yen(28th)

MARKET COMMENT

In New York the dollar traded steadily but it fell in the Far East on selling by life insurance companies.It was rumoured that the Bank of Japan has told life insurance companies to sell dollars.After falling to a low of DM1.8620 in London,dollar recovered helped by European concerted intervention this morning.During the course of the afternoon the dollar firmed on short covering as dealers squared their books prior to the weekend in calmer markets. Sterling was little changed in New York but was at times very soft in the Far East,reaching a low of DM3.0175 before substantial intervention (carried out by the Bank of Japan on our behalf) prompted a sharp rally.In London,sterling opened well up on yesterday's closing levels and traded steadily during the morning.Following the Bank signal of no change in interest rates at lunchtime,sterling saw periods of nervousness and eased below DM3.03

September Reserves to be published on Tuesday 3 October at 11.30AM are shown in box (b) above.

Rates at 6.05PM were; $1.6165 DM3.0261 DM/$1.8720 Y/$139.45 Y/DM74.49

Chris Bailey on duty.

270 -556.

SECRET

MONEY MARKETS Friday 29th September 1989

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	13 15/16	9/32	9	-1/8
1 mth	14 9/16	1/2	9 1/16	1/16
3 mth	14 11/16	11/32	9 1/8	1/8
12 mth	14 7/16	3/16	9	1/16

BILLS

	Today			Change
3 Month Treasury Bills	14	-	13 3/4	1/16

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	743	13 3/4	13 15/16-13/16
Band 2 (15-31 days)			14 1/4-1/8
Band 3 (32-63 days)			14 1/4-1/8
Band 4 (64-91 days)			14 1/4-1/8
TOTAL BILLS	743		
Repurchase			
Lending			
TOTAL OPERATIONS	743	against shortage	£ 750 m

US RATES

	3 month CDs	10 yr Tsy Bond	20 yr Tsy Bond
Today/Change	8.90 0.00	8.31 0.01	8.39 0.01

STOCK MARKET

	FT Ind-Ord	FTSE	Gilt index
Today/Change	1885.7 9.5	2299.3 7.6	0.00

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.802	7.802	0
Hang Seng Index	2755.32	2755.32	0
3 month interbank rate	9 5/16	9 5/16	unchanged

MARKET COMMENT

GILTS opened a little steadier, with scattered gains through the list. The market held steady in front of the reverse auction in which the authorities bought a larger quantity of 13 3/4 Treasury 2000/03 than the other two issues. But prices then eased as money rates firmed. Official indications that an upward move in interest rates would not be sanctioned eventually steadied the market, which closed with shorts and mediums 1/16 off and longs 1/16 better.

INDEX LINKED were unchanged.

EQUITIES opened lower but gradually recovered lost ground closing reasonably firmly. The privatisation of the electricity industry has been postponed by up to 6 months. Ferranti will not be paying a dividend on their preference shares, revoking a resolution passed in July.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4616

GILT-EDGED MARKET — **Friday 29th September 1989**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September
Gross sales shorts	44.5	656.5
Gross sales mediums	19.9	551.2
Gross sales longs and undated	91.4	937.4
Gross sales index-linked	8.6	224.5
Part paid calls		
Buying in non-next maturities shorts	-59.2	-886.0
Buying in non-next maturities mediums	-522.1	-1234.3
Buying in non-next maturities longs	-75.5	-1107.7
Buying in non-next maturities index-linked	-8.5	-310.2
CRND: Market transactions		15.0
TOTAL 'GROSS' SALES	-500.9	-1153.6
Buying in of next maturities	-4.8	-37.1
Redemptions	-1259.3	-1262.8
TOTAL TRANSACTIONS WITH MARKET	1765.0	2453.5

Sales required to meet * target of £ m — Future calls

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	11.133	-2	0.05
Mediums	10.452	-2	0.02
Longs	9.817	2	0.03

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	91 13	-3	12.04	0.06
8 3/4 Treasury 1997 'C'	90 12	-2	10.57	0.01
11 3/4% Treasury 2003/07	111 18	2	10.18	0.04
3% Treasury 1992	84	-2	9.91	0.05
2 1/2% Index-Linked 2016	112	-2	3.60	0.00
2% Index-Linked 1994	102 26	-10	3.46	0.08

GILT FUTURES

		Open	Close	Volume
Long Contract	December	92.16	92.17	15161
Medium Contract	December			

NAME: Peter Smith
TEL NO: 270 4616

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Thursday 31 August 1989

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
91.6	#ERI	91.5	91.5	-12.4	6.9	0.0
1.5897	$/#	1.5745	1.5735	15.1	3.0	-5.5
3.0785	DM/#	3.0805	3.0804	-21.1	10.4	2.8
1.4803	ECU/#	1.4825	1.4829			
71	$ERI	-	71.6	-27.5	-1.4	2.9
1.9365	DM/$	1.9565	1.9577	-31.5	7.2	8.7
143.20	Yen/$	144.30	144.5	-40.0	-5.9	1.3
73.95	Yen/DM	73.75	73.81			

Sept $17.07 Oct $16.77 Nov $16.87 Spot Brent Sept $17.32 Oct $17.22 Nov $17.12

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 89
-2	-516	-4865
-98	29	620
-100	-487	-4245

(a) Spot and forward transactions on a done date basis.

(b)

	August end-month position
Market intervention	-477
Off-market transactions	70
TOTAL	-405
Net borrowing	-18
Valuation changes	0
TOTAL CHANGE IN RESERVES	-423

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

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-	Germany	-	Italy	-
Denmark	-	Holland	-	Japan	-
France	-	Ireland	-	US	-
Portugal +52$					

MARKET COMMENT

In New York dollar ended sharply higher on technical factors and was little changed in Far East. In morning session dollar edged above DM1.96. After publication of larger than expected fall in US factory orders for July dollar eased but subsequently regained lost ground to close on firm note.

Sterling has given ground to the stronger dollar but has traded in a narrow range against the DM: it moved up a little overnight but eased this morning on some professional selling out of Far East and some commercial selling out of Europe. This afternoon it regained some of its earlier losses. (End August reserves to be published on Monday 4 September at 11.30a.m. are shown in box (b)).

Rates at 5:30 pm.$1.5730 DM3.0799 DM/$1.9580 Yen/$144.65 Yen/DM73.88.

NAME: B.Nelson
TEL NO: 270-5558

SECRET

MONEY MARKETS — **Thursday 31st August 1989**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	14	1/16	8 7/8	0
1 mth	13 31/32	1/64	8 15/16	-1/16
3 mth	13 31/32	0	8 15/16	0
12 mth	13 9/16	1/16	8 7/8	0

BILLS

	Today	Change
3 Month Treasury Bills	13 7/16 - 13 3/8	1/16

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	363	13 27/32	13 7/8-3/4
Band 2 (15-31 days)			13 25/32-3/4
Band 3 (32-63 days)			13 5/8-9/16
Band 4 (64-91 days)			13 1/2-7/16
TOTAL BILLS	363		
Repurchase			
Lending	120		
TOTAL OPERATIONS	483	against shortage	£ 450 m

US RATES

	3 month CDs	10 yr Tsy Bond	20 yr Tsy Bond
Today/Change	8.80 0.00	8.23 -0.04	8.30 -0.03

STOCK MARKET

	FT Ind-Ord	FTSE	Gilt index
Today/Change	1977.6 6.7	2387.9 6.6	0.00

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.8113	7.8087	0.0026
Hang Seng Index	2505.4	2508.57	3.17
3 month interbank rate	9 3/16	9 3/16	n/c

MARKET COMMENT

GILTS opened 1/8 easier and was soon offered lower, especially in mediums and longs. The malaise was entirely local as sentiment turned increasingly negative. This afternoon, following publication of the Bank's dealing rate in the money market, shorts too were widely sold and the market closed easier by up to 1/2 in all sectors.

INDEX-LINKED too, lost 1/2 largely in sympathy.

EQUITIES opened slightly better, progressed gently until mid-afternoon but faded prior to the close. British Aerospace extended yesterday's gains following a Japan jet deal. Eurotunnel continued to slide on escalating cost fears.

J. Welch.

NAME: James Welch
TEL NO: 270 4616

GILT-EDGED MARKET — **Thursday 31st August 1989**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	August	September
Gross sales shorts	19.6	629.4	19.6
Gross sales mediums	19.0	1063.3	19.0
Gross sales longs and undated	42.3	789.4	42.3
Gross sales index-linked	1.8	240.8	1.8
Part paid calls			
Buying in non-next maturities shorts	-38.4	-757.5	-38.4
Buying in non-next maturities mediums	-48.0	-1355.8	-48.0
Buying in non-next maturities longs	-40.4	-783.3	-40.4
Buying in non-next maturities index-linked	-14.9	-246.4	-14.9
CRND: Market transactions		-5.2	
TOTAL 'GROSS' SALES	-59.0	-425.3	-59.0
Buying in of next maturities	-5.0	-33.4	-5.0
Redemptions	-0.3	-1741.7	
TOTAL TRANSACTIONS WITH MARKET	-64.3	-2200.4	-64.0

Future calls

Sales required to meet June target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	10.370	-16	-0.03
Mediums	9.959	-14	0.07
Longs	9.416	-16	0.05

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	92 30	-14	11.17	0.21
8 3/4 Treasury 1997 'C'	92 26	-14	10.08	0.09
11 3/4% Treasury 2003/07	114 26	-16	9.74	0.07
3% Treasury 1992	85 8	-4	9.12	0.06
2 1/2% Index-Linked 2016	114 16	-18	3.46	0.02
2% Index-Linked 1994	105	-4	2.90	0.03

GILT FUTURES

		Open	Close	Volume
Long Contract	September	95.29	95.17	8090
Short Contract	September			

NAME: James Welch
TEL NO: 270 4616

SECRET

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS — Monday 31 July 1989

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
93.2	£ERI	93.3	93.3	-10.6	9.0	2.0
1.6470	$/£	1.6582	1.661	21.5	8.7	-0.2
3.1087	DM/£	3.1058	3.1061	-20.5	11.3	3.6
1.4963	ECU/£	1.4952	1.4954			
69.6	$ERI	-	68.9	-30.3	-5.1	-1.0
1.8875	DM/$	1.8730	1.87	-34.5	2.4	3.9
139.42	Yen/$	138.37	137.15	-43.1	-10.7	-3.9
73.86	Yen/DM	73.88	73.34			

Aug $17.25 Sept $16.70 Oct $16.80 Spot Brent Aug $17.17 Sept $16.57 Oct $16.67

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 88
22	459	-4349
22	139	595
44	598	-3754

(a) Spot and forward transactions on a done date basis.

(b)

	July end-month position
Market intervention	222
Off-market transactions	-155
TOTAL	67
Net borrowing	-205
Valuation changes (EMCF swap)	104
TOTAL CHANGE IN RESERVES	-34

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

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-	Germany	-	Italy	+68$,+45DM
Denmark	-	Holland	-	Japan	-
France	+45$	Ireland	-	US	-

Spain +220$,Greece +7$,-2DM,Norway -3$

MARKET COMMENT

Dollar reversed its technical rally and lost ground across the board overnight on expectations that the Fed. might further lower interest rates after employment data on Friday. Today the dollar continued to lose ground to Yen and DM reaching low of DM1.8630 mid-afternoon before closing off day's low.
Sterling gained ground against dollar but eased against DM overnight. Today sterling was quiet and steady against the DM. End July reserves to published on Wednesday 2 August at 11.30 a.m. are shown in box (b).

Rates at 6:00p.m. $1.6620 DM3.1038 DM/$1.8675 Yen/$137.17 Yen/DM73.45.

NAME: B.Nelson
TEL NO: 270-5558

SECRET

MONEY MARKETS — **Monday 31st July 1989**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	13 7/8	1/8	8 3/4	-1/16
1 mth	13 7/8	1/32	8 5/8	-1/4
3 mth	13 27/32	0	8 1/2	-3/16
12 mth	13 9/32	-1/32	8 3/16	-3/16

BILLS

	Today			Change
3 Month Treasury Bills	13 5/16	-	13 1/4	1/32

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	301	13 3/4	13 13/16-11/16
Band 2 (15-31 days)			13 21/32-5/8
Band 3 (32-63 days)			13 17/32-1/2
Band 4 (64-91 days)			13 25/64-23/64
TOTAL BILLS	301		
Repurchase			
Lending	555		
TOTAL OPERATIONS	856	against shortage	£ 750 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.40	-0.20	7.86	-0.05	8.01	-0.06

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1912.1	-12.7	2297.0	-9.0		0.00

HONG KONG

	Previous	Today	Change
Hong Kong Dollar	7.8057	7.8055	0.0002
Hang Seng Index	2526.75	2571.08	44.33
3 month interbank rate	8 7/8	8 13/16	DOWN 1/16

MARKET COMMENT

GILTS opened slightly firmer following sterling with shorts up to 1/16 better, mediums 1/16-1/8 and longs 1/8. There were some initial patchy foreign demand but as the market improved some foreign sellers appeared but selling was not concerted and was absorbed quite easily. The market consolidated around the opening levels, unaffected by the cuts in US prime rates, and closed with shorts and mediums unchanged and longs 1/8 firmer.

INDEX-LINKED opened 3/16 better and gained ground on press comment that climbs would switch the amount of equities into the sector; however when the conventional market stalled this stopped the rally and index-linked closed 1/4-3/8 up.

EQUITIES closed softly having made double-figure gains this morning.

J. Welch

NAME: James Welch
TEL NO: 270 4616

GILT-EDGED MARKET — **Monday 31st July 1989**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	July	August
Gross sales shorts	32.9	292.5	32.9
Gross sales mediums	61.0	764.2	61.0
Gross sales longs and undated	213.5	826.0	213.5
Gross sales index-linked	22.2	390.9	22.2
Part paid calls			
Buying in non-next maturities shorts	-35.0	-679.6	-35.0
Buying in non-next maturities mediums	-61.5	-909.6	-61.5
Buying in non-next maturities longs	-238.0	-775.1	-238.0
Buying in non-next maturities index-linked		-187.0	
CRND: Market transactions		-0.1	
TOTAL 'GROSS' SALES	-4.9	-277.8	-4.9
Buying in of next maturities	1.4	-16.7	1.4
Redemptions	-0.1	-6.2	
TOTAL TRANSACTIONS WITH MARKET	-3.6	-300.7	-3.5

Sales required to meet June target of £ _____ m — Future calls

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Yield (%)
Shorts	10·321	5	-0.03
Mediums	9.901	1	-0.01
Longs	9.332	6	-0.02

REPRESENTATIVE STOCKS

	Price (£/32) Today	Price (£/32) Change	Yield (per cent) Today	Yield (per cent) Change
8% Treasury 1992	93 14	0	10.85	0.00
8 3/4 Treasury 1997 'C'	93 21	1	9.91	-0.01
11 3/4% Treasury 2003/07	116	6	9.60	-0.02
3% Treasury 1992	85 14	4	8.87	-0.05
2 1/2% Index-Linked 2016	113 22	8	3.50	-0.01
2% Index-Linked 1994	104 23	11	2.92	-0.07

GILT FUTURES

		Open	Close	Volume
Long Contract	September	97.05	97.06	14355
Short Contract	September			

NAME: James Welch
TEL NO: 270 4616

SECRET

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS — Friday 30 June 1989

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
90.5	£ERI	90.3	90.2	-13.6	5.4	-1.4
1.5610	$/£	1.5520	1.5502	13.4	1.4	-6.9
3.0357	DM/£	3.0311	3.0294	-22.4	8.5	1.1
1.4690	ECU/£	1.4658	1.4631			
71.6	$ERI	-	71.9	-27.2	-1.0	3.3
1.9447	DM/$	1.9530	1.9542	-31.6	7.0	8.5
143.12	Yen/$	144.00	144.02	-40.2	-6.2	0.9
73.59	Yen/DM	73.73	73.7			

Jul $18.00 Aug $17.40 Sept $17.05 Spot Brent Jul $18.15 Aug $17.57 Sep $17.20

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 89
-176	-3311	-4808
16	91	454
-160	**-3220**	**-4354**

(a) Spot and forward transactions on a done date basis.

(b)

	June end-month position
Market intervention	-3458
Off-market transactions	1222
TOTAL	**-2236**
Net borrowing	-186
Valuation changes	0
TOTAL CHANGE IN RESERVES	**-2422**

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

The figure to be phoned.

OTHER COUNTRIES' MARKET INTERVENTION ($million equivalent)

Belgium -46$
Denmark -8$
France -30$ agst DM
Portugal +24$,-25$ agst DM,-25$ agst Yen,
Sweden -10$ agst DM,-10$ agst Yen,
Spain -20$ agst Yen,Norway -18$,Greece -11$.

Germany -75$
Holland -25$
Ireland -

Italy -30$ agst DM
Japan -200$
US -200$ agst Yen(29th)
" -100$ agst DM(29th)

MARKET COMMENT

Dollar firmed in New York last night on technical recovery after yesterday's fall following European interest rate increases and end-half year book squaring.In Far East dollar eased a little against the Mark but was little changed against the Yen on continuing political concern in Japan(Tokyo municipal elections,Sunday).Today dollar initially eased against the Mark and Bundesbank led covert concerted intervention this morning only temporarily caused a dip.Lower than expected US May factory goods orders had little effect.This afternoon dollar firmed a little against the Mark.It was steady throughout the day against the Yen.Sterling eased a little overnight and during the morning session but recovered some ground against Mark this afternoon,steadying against dollar.
End June reserves figures to be published on Tuesday 4 July are in box (b).
Rates at 6.10PM: $1.5495, DM3.0277, DM/$1.9540, Y/$144.00, Yen/DM73.69.

Ian Polin

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.7947	7.795	-0.0003
Hang Seng Index	2275.32	2273.91	-1.41
3 month interbank rate	10 3/16%	10 1/16%	DOWN 1/8%

Terry Smeeton on duty.

NAME: I.C.Polin
TEL NO: 270-5556

SECRET

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MONEY MARKETS — **Friday 30th June 1989**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	13 13/16	1/16	9 7/16	0
1 mth	14	1/8	9 3/8	-1/16
3 mth	14 3/16	1/8	9 1/4	-1/16
12 mth	14 1/8	1/16	8 15/16	-1/16

BILLS

	Today			Change
3 Month Treasury Bills	13 5/8	-	13 1/2	0

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	988	13 3/4	13 7/8-3/4
Band 2 (15-31 days)	153	13 3/4	13 11/16-9/16
Band 3 (32-63 days)			13 11/16-9/16
Band 4 (64-91 days)			13 11/16-9/16
TOTAL BILLS	1141		
Repurchase	200	For resale to market 10/7 at 13 27/32	
Lending		Average discount rate 13.6226% - 91 day	
TOTAL OPERATIONS	1341	against shortage £ 1250 m	

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	9.10	-0.10	8.13	-0.04	8.20	-0.03

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1784.5	-25.1	2151.0	-31.0		0.00

MARKET COMMENT

GILTS opened easier, with shorts down 1/8, mediums 1/16 and longs 1/4.Prices traded easier during the morning, with longs 1/2 down at worst, but there was some recovery in the afternoon.Shorts finished 1/8 doqn, mediums unchanged and longs 1/16 better.

INDEX LINKED saw some buying, possibly out of equities, which left prices 3/8 to 1/2 better.

REVERSE AUCTION passed off satisfsctorily; the average price paid was about 1/32 over the market level at 10am.

EQUITIES opened weaker on Wall Street's overnight collapse and easier sterling and fell further on fears that the Us economy might be heading for a hard landing.At 5pm Wall Street was down a further 31 points.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4616

SECRET

GILT-EDGED MARKET — Friday 30th June 1989

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	June	July
Gross sales shorts	6.2	932.8	6.2
Gross sales mediums	38.1	1150.8	38.1
Gross sales longs and undated	5.2	1235.8	5.2
Gross sales index-linked	8.2	314.6	8.2
Part paid calls			
Buying in non-next maturities shorts	-403.1	-1025.2	-403.1
Buying in non-next maturities mediums	-37.8	-1588.0	-37.8
Buying in non-next maturities longs	-5.5	-1653.7	-5.5
Buying in non-next maturities index-linked	-8.4	-255.2	-8.4
CRND: Market transactions		-0.5	
TOTAL 'GROSS' SALES	-397.1	-888.6	-397.1
Buying in of next maturities		-51.1	
Redemptions	-0.5	-1197.5	
TOTAL TRANSACTIONS WITH MARKET	-397.6	-2137.2	-397.1

Future calls

Sales required to meet target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	10·925	-4	
Mediums	10·406		
Longs	9.752	3	

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	91 24	0	11.53	0.01
8 3/4 Treasury 1997 'C'	90 22	0	10.46	0.00
11 3/4% Treasury 2003/07	112 12	3	10.05	-0.01
3% Treasury 1992	83 10	-8	9.65	0.13
2 1/2% Index-Linked 2016	109 14	16	3.68	-0.02
2% Index-Linked 1994	100 16	5	3.73	-0.03

GILT FUTURES

		Open	Close	Volume
Long Contract	September	93.23	93.23	11190
Short Contract	September			

NAME: Peter Smith
TEL NO: 270 4616

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MG EVENING REPORT

FOREIGN EXCHANGE MARKETS — Wednesday 31 May 1989

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
92.5	£ERI	92.6	92.3	-11.6	7.8	0.9
1.5592	$/£	1.5740	1.5722	15.0	2.9	-5.5
3.1359	DM/£	3.1255	3.1137	-20.3	11.5	3.9
1.5097	ECU/£	1.5050	1.5016			
72.8	$ERI	-	72.1	-27.0	-0.7	3.6
2.0112	DM/$	1.9857	1.9805	-30.7	8.4	10.0
143.42	Yen/$	142.50	142.57	-40.8	-7.2	-0.1
71.31	Yen/DM	71.76	71.99			

Jun $17.92 Jul $17.55 Aug $17.22 Spot Brent Jun $18.15 Jul $17.65 Aug $17.25

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 89
-270	-1101	-1497
-66	7	363
-336	**-1094**	**-1134**

(b)

	May end-month position
Market intervention	-777
Off-market transactions	38
TOTAL	**-739**
Net borrowing	-430
Valuation changes	0
TOTAL CHANGE IN RESERVES	**-1169**

(a) Spot and forward transactions on a done date basis.

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

* On conventional assumption of no further market intervention.

OTHER COUNTRIES' MARKET INTERVENTION ($million equivalent)

Belgium	-	Germany	-	Italy	-
Denmark	-	Holland	-	Japan	-
France	-	Ireland	-	US	-

MARKET COMMENT

In New York and the Far East the dollar eased mainly on concern that the Bundesbank would raise its discount rate after tomorrow's Council meeting.Today the dollar fluctuated in nervous markets ahead of tomorrow's Council meeting.Following the close the dollar has eased in anticipation of a possible rise in German rates tomorrow.

Sterling was quiet in New York,but eased with the dollar in the Far East overnight.Today sterling initially eased on commercial selling,but regained its lost ground following intervention by the Bank.It developed a softer tone again before noon,and eased back this afternoon.Although sterling moved up against the weaker dollar after the close,it has fallen further against the Mark.

Reserves figures to be published on Friday 2 June are in Box (b).

Rates at 6.45PM: $1.5735 DM3.1084 DM/$1.9755 Y/$142.20 Y/DM71.98

Ian Polin.

HONG KONG	**Previous**	**Today**	**Change**
Hong Kong dollar	7.781	7.777	0.004
Hang Seng Index	2755.5	2743.87	-11.63
3 month interbank rate	10 7/8%	10 5/8%	DOWN 1/4%

Terry Smeeton

NAME: I.C.Polin
TEL NO: 270-5556

SECRET

MONEY MARKETS **Wednesday 31st May 1989**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	14	7/16	9 11/16	1/16
1 mth	14 1/4	17/32	9 5/8	0
3 mth	14 5/16	9/32	9 1/2	0
12 mth	14 1/8	1/4	9 7/16	0

BILLS

	Today			Change
3 Month Treasury Bills	13 3/4	-	13 1/2	1/8

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	130	13 3/4	14 -13 7/8
Band 2 (15-31 days)	370	13 3/4	13 7/8-13/16
Band 3 (32-63 days)			13 7/8-3/4
Band 4 (64-91 days)			13 7/8-3/4
TOTAL BILLS	500		
Repurchase			
Lending			
TOTAL OPERATIONS	500	against shortage	£ 450 m

US RATES

	3 month CDs	10 yr Tsy Bond	20 yr Tsy Bond
Today/Change	9.45 -0.10	8.64 -0.01	8.69 0.00

STOCK MARKET

	FT Ind-Ord	FTSE	Gilt index
Today/Change	1755.7 -9.6	2114.4 -15.6	85.40 -0.66

MARKET COMMENT

GILTS opened easier this morning despite sterling opening a little steadier,with shorts off 1/8 and mediums and longs 3/16. Prices eased further unril encountering some resistance around the 10% yield level on the '03-'07; when there was no change in the Bank's dealing rate this cracked, and the market fell right up to the close, amidst rumours that funding policy was going to be changed to revert to over-funding, or that the Bank has withdrawn from buying-in. At the close shorts were 1/2 to 3/4 off, mediums 7/8 to 1 and longs 1 3/8 lower.

INDEX LINKED lost 3/4.

EQUITIES opened weaker on sterling's decline against the DM and traded in a narrow range for the rest of the day.THF gained on renewed bid rumours.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4616

GILT-EDGED MARKET — **Wednesday 31st May 1989**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	May	June
Gross sales shorts	33.7	574.3	33.7
Gross sales mediums	99.3	488.9	99.3
Gross sales longs and undated	88.2	963.4	88.2
Gross sales index-linked	22.0	389.0	22.0
Part paid calls			
Buying in non-next maturities shorts	-131.1	-785.0	-131.1
Buying in non-next maturities mediums	-151.8	-1174.0	-151.8
Buying in non-next maturities longs	-318.6	-1280.2	-318.6
Buying in non-next maturities index-linked	-23.1	-376.4	-23.1
CRND: Market transactions		-3.6	
TOTAL 'GROSS' SALES	-381.4	-1203.6	-381.4
Buying in of next maturities	-5.0	-42.2	-5.0
Redemptions	-1.4	-491.9	
TOTAL TRANSACTIONS WITH MARKET	-387.8	-1737.7	-386.4

	Future calls
Sales required to meet target of	£ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	10·894	-12	0.10
Mediums	10·295	-25	0.13
Longs	9.635	-45	0.15

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	91 10	-8	11.63	0.11
8 3/4 Treasury 1997 'C'	90 3	-27	10.56	0.16
11 3/4% Treasury 2003/07	111 27	-45	10.13	0.18
3% Treasury 1992	83 6	-9	9.52	0.13
2 1/2% Index-Linked 2016	108	-16	3.72	0.03
2% Index-Linked 1994	98 30	-6	3.91	0.05

GILT FUTURES

		Open	Close	Volume
Long Contract	June	93.23	92.25	12840
Short Contract	June			

NAME: Peter Smith
TEL NO: 270 4616

SECRET

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS — Friday 28 April 1989

Previous close		Today opening 8.30am	Today close 4.00pm	Zchange $/currency since Plaza	since Paris	since 16 October 1987
95.1	£ERI	95.2	95.1	-8.9	11.1	3.9
1.6915	$/£	1.6932	1.688	23.4	10.4	1.4
3.1727	DM/£	3.1759	3.1743	-18.7	13.7	5.9
1.5260	ECU/£	1.5265	1.5248			
68.4	$ERI	-	68.5	-30.7	-5.6	-1.6
1.8757	DM/$	1.8757	1.8805	-34.2	3.0	4.4
132.15	Yen/$	132.47	132.9	-44.8	-13.4	-6.9
70.45	Yen/DM	70.62	70.67			

May $19.80 Jun $19.02 Jul $18.00 Spot Brent May $19.35 Jun $18.62 Jul $17.75

UK RESERVE TRANSACTIONS ($million)

(a)

	Today	This month so far	Total since 1 Apr 89
	0	-396	-396
*	512	356	356
	512	-40	-40

* includes +456$ equivalent BP receipts

(a) Spot and forward transactions on a done date basis.

(b)

	April end-month position
Market intervention	-389
Off-market transactions	604 *
TOTAL	215
Net borrowing	-68
Valuation changes(EMCF swap)	178
TOTAL CHANGE IN RESERVES	325

* includes +456$ equivalent BP receipts

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

OTHER COUNTRIES' MARKET INTERVENTION ($million equivalent)

Belgium	+36DM	Germany	-	Italy	-
Denmark	-	Holland	-	Japan	-
France	-	Ireland	-	US	-

Portugal +62$;Spain +82DM,+68$;Norway -15$,Canada+80$,+83Yen,+82DM.

MARKET COMMENT

Dollar little changed in New York.Yen eased slightly in Far East following lower-than-expected Japanese CPI figures.Today dollar firmed sharply following comments by Koehler (Bundesbank Council) that sharp fluctuations in the dollar,rather than its level,caused problems.Dollar reached high of DM1.8835 before concerted intervention(including Bank of England -35$ agst DM,but other figures not yet available)caused it to ease.
Sterling traded featurelessly within a narrow range overnight and today.

Rates at 6.45PM: $1.6896 DM3.1764 DM/$1.8800 Y/$132.85 Y/DM70.66

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.7788	7.781	-0.0022
Hang Seng Index	3077.26	3116.03	38.77
3 month interbank rate	11%	10 15/16%	Down 1/16%

Chris Bailey (Mobile till 8.30PM then home)

NAME: I.C.Polin
TEL NO: 270-5556

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MONEY MARKETS — **Friday 28th April 1989**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	12 1/4	N/A	9 3/4	-1/16
1 mth	12 11/16	1/16	9 13/16	0
3 mth	12 15/16	1/16	9 7/8	0
12 mth	12 7/8	-1/16	10	-1/16

BILLS

	Today			Change
3 Month Treasury Bills	12 14	-	12 1/8	-1/8

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	744	12 7/8	12
Band 2 (15-31 days)			12 17/32-1/2
Band 3 (32-63 days)			12 17/32-1/2
Band 4 (64-91 days)			12 17/32-1/2
TOTAL BILLS	744		
Repurchase			
Lending	400	Average discount rate 12.2335%	
TOTAL OPERATIONS	1144	against shortage £	1150 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	9.75	-0.10	9.04	-0.06	9.01	-0.04

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1750.4	4.5	2118.0	2.3	86.83	0.03

MARKET COMMENT

GILTS opened firmer with gains of 1/4 or so through the list.Prices improved further during the morning with longs up 1/2 at one stage, then became becalmed.The market turned off in the afternoon to close unchanged in shorts and mediums and 3/16 to 1/4 better in longs.

INDEX LINKED longer dated performed better than shorter dates today.The latter were 1/4 up and the former 1/2.

EQUITIES opened at the days best levels but gradually softened to close little changed.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4616

GILT-EDGED MARKET — **Friday 28th April 1989**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	April	May
Gross sales shorts	38.9	825.9	38.9
Gross sales mediums	6.4	876.3	6.4
Gross sales longs and undated	21.5	717.9	21.5
Gross sales index-linked	11.9	330.0	11.9
Part paid calls			
Buying in non-next maturities shorts	-40.5	-1077.1	-40.5
Buying in non-next maturities mediums		-995.5	
Buying in non-next maturities longs	-30.5	-1181.9	-30.5
Buying in non-next maturities index-linked	-8.9	-349.5	-8.9
CRND: Market transactions		-19.0	
TOTAL 'GROSS' SALES	-1.2	-872.9	-1.2
Buying in of next maturities		-48.9	
Redemptions	-0.3	-758.7	
TOTAL TRANSACTIONS WITH MARKET	-1.5	-1680.5	-1.2

Future calls

Sales required to meet target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	10.659		
Mediums	10.110	1	-0.01
Longs	9.450	4	-0.01

REPRESENTATIVE STOCKS

	Price (£/32) Today	Price (£/32) Change	Yield (per cent) Today	Yield (per cent) Change
8% Treasury 1992	92 14	0	11.05	0.00
8 3/4 Treasury 1997 'C'	92 6	2	10.15	-0.01
11 3/4% Treasury 2003/07	114 24	7	9.77	-0.03
3% Treasury 1992	83 20	1	9.16	0.00
2 1/2% Index-Linked 2016	108 24	16	3.58	-0.02
2% Index-Linked 1994	98 26	6	3.54	-0.02

GILT FUTURES

		Open	Close	Volume
Long Contract	June	96.03	96.01	14755
Short Contract	June			

NAME: Peter Smith
TEL NO: 270 4616

SECRET

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Friday 31 March 1989

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
95.3	£ERI	95.5	95.5	-8.5	11.6	4.4
1.6875	$/£	1.6890	1.6855	23.3	10.3	1.3
3.1868	DM/£	3.1951	3.2008	-18.1	14.7	6.8
1.5304	ECU/£	1.5345	1.5343			
68.6	$ERI	-	68.8	-30.4	-5.2	-1.1
1.8885	DM/$	1.8917	1.899	-33.5	4.0	5.5
132.42	Yen/$	132.55	132.75	-44.9	-13.5	-7.0
70.12	Yen/DM	70.07	69.91			

Apr $19.90 May $19.20 Jun $18.65 Spot Brent Apr $20.37 May $19.57 Jun $18.97

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 88
-2	-1031	4406
1	-463	-2459
-1	**-1494**	**1947**

(b)

	March end-month position
Market intervention	-1241
Off-market transactions	45
TOTAL	**-1196**
Net borrowing	-31
Valuation changes	0
TOTAL CHANGE IN RESERVES	**-1227**

(a) Spot and forward transactions on a done date basis.

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

* On conventional assumption of no further market intervention.

OTHER COUNTRIES' MARKET INTERVENTION ($million equivalent)

Belgium +30DM
Denmark +68DM
France -56ECU agst DM
Germany -
Holland -
Ireland -
Italy -
Japan -
US -300$ agstDM(30 MAR) -100$ agstYen(30 MAR)

Canada -25$ agst DM,-25$ agst Yen(30 Mar),Norway -164$,Sweden +296DM,Portugal +15$.

MARKET COMMENT

The dollar reached high of DM1.9035 but eased back on Fed. and Canadian intervention in New York last night.It firmed slightly in Far East.Today the dollar traded steadily this morning but firmed to just below DM1.90 this afternoon with markets wary of pushing above DM1.90 for fear of Central Bank intervention ahead of G7 meetings this weekend.
Sterling firmed slightly overnight but traded steadily today.It edged above DM3.20 late this afternoon.

Rates at 6.40PM :$1.6860 DM3.1950 DM/$1.8950 Y/$132.70 Y/DM70.03

Ian Polin

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.7875	7.7865	0.001
Hang Seng Index	2980.76	3004.98	24.22
3 month interbank rate	11 5/16%	11 5/16%	UNCHANGED

NAME: I.C.Polin

S E C R E T

MONEY MARKETS — **Friday 31st March 1989**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	12 11/16	-1/16	9 7/8	0
1 mth	12 7/8	0	10	0
3 mth	13 1/16	1/32	10 1/4	0
12 mth	12 7/8	0	11	0

BILLS

	Today			Change
3 Month Treasury Bills	12 7/16	-	12 5/16	-1/16

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	617	12 7/8	12 13/16-11/16
Band 2 (15-31 days)	2	12 13/16	12 37/64-9/16
Band 3 (32-63 days)			12 39/64-37/64
Band 4 (64-91 days)	15	12 5/8	12 39/64-35/64
TOTAL BILLS	634		
Repurchase			
Lending	160	Average discount rate 12.394%	
TOTAL OPERATIONS	794	Against shortage £	650 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	10.15	0.00	9.35	0.03	9.27	0.02

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1707.9	21.2	2075.0	25.6	87.44	-0.28

MARKET COMMENT

GILTS opened 1/16 firmer through the list but selling soon resumed. With further pressure in the Futures pit and with retail investors continuing to switch shorter (in several cases by as much as 20 years), the long maturities again suffered most and were 1/4 easier at one stage.Sterling's incipient recovery in mid-morning then made for a better tone and the market gradually recouped its losses, closing broadly unchanged.

INDEX LINKED were dull and unchanged.

EQUITIES moved ahead firmly helped by sterling's better performance.

NAME: Peter Smith
TEL NO: 270 4616

SECRET

GILT-EDGED MARKET — **Friday 31st March 1989**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	March	April
Gross sales shorts	39.0	604.7	39.0
Gross sales mediums	37.5	540.3	37.5
Gross sales longs and undated	66.2	719.7	66.2
Gross sales index-linked	8.3	360.0	8.3
Part paid calls			
Buying in non-next maturities shorts	-39.8	-1203.6	-39.8
Buying in non-next maturities mediums	-52.3	-834.5	-52.3
Buying in non-next maturities longs	-82.7	-1209.3	-82.7
Buying in non-next maturities index-linked	-8.7	-523.9	-8.7
CRND: Market transactions		-8.8	
TOTAL 'GROSS' SALES	-32.5	-1555.4	-32.5
Buying in of next maturities		-241.1	
Redemptions	-0.2	-26.0	
TOTAL TRANSACTIONS WITH MARKET	-32.7	-1822.5	-32.5

Future calls

Sales required to meet target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Yield (%)
Shorts	10.535	1	-0.01
Mediums	10.004	2	-0.01
Longs	9.363	1	-0.00

REPRESENTATIVE STOCKS

	Price (£/32) Today	Price (£/32) Change	Yield (per cent) Today	Yield (per cent) Change
8% Treasury 1992	92 20	2	10.92	-0.02
8 3/4 Treasury 1997 'C'	92 20	2	10.06	-0.01
11 3/4% Treasury 2003/07	115 14	0	9.70	0.00
3% Treasury 1992	83 22	0	8.97	0.00
2 1/2% Index-Linked 2016	110	-2	3.49	0.00
2% Index-Linked 1994	98 20	2	3.46	-0.01

GILT FUTURES

		Open	Close	Volume
Long Contract	June	96.26	96.19	9103
Short Contract	June	93.08	93.10	39

NAME: Peter Smith
TEL NO: 270 4616

SECRET

Prime Minister's
much quieter.

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Tuesday 28 February 1989

RRCG 28/2

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
95.7	£ERI	95.7	95.8	-8.2	11.9	4.7
1.7442	$/£	1.7370	1.743	27.5	14.0	4.7
3.1652	DM/£	3.1744	3.177	-18.7	13.8	6.0
1.5308	ECU/£	1.5292	1.5299			
66.6	$ERI	-	66.7	-32.5	-8.1	-4.2
1.8147	DM/$	1.8275	1.8227	56.7	0.2	-1.2
126.35	Yen/$	127.20	126.8	89.9	21.1	12.7

Mar $17.22 Apr $16.52 May $16.20 Spot Brent Mar $17.10 Apr $16.37 May $15.97

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 88
7	-306	5437
8	-81	-1996
15	-387	3441

(a) Spot and forward transactions on a done date basis.

(b)

	February end-month position
Market intervention	-74
Off-market transactions	103
TOTAL	29
Net borrowing	-51
Valuation changes	0
TOTAL CHANGE IN RESERVES	-22

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

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-	Germany	-	Italy	+19DM
Denmark	-	Holland	-	Japan	-
France	-	Ireland	-44$	US	-

MARKET COMMENT

The dollar firmed in New York on short covering as market expectations of a German interest rate increase receded.It firmed a little in the Far East on speculative buying from Japanese companies.This morning the dollar traded steadily in thin and cautious markets.The dollar was slightly easier after US Q4 GNP figure of +2.0% ,a bit lower lower than expected.It closed close to its lows for the day.

Sterling firmed against the deutschemark overnight but lost ground to the dollar.This morning it was again slightly firmer against the Mark but gave up some of these gains this afternoon.Market looking uneasily towards January trade figures.

Rates at 6.15PM : $1.7449 DM3.1778 DM/$1.8212 Y/$126.80.

February Reserve figures are in Box (b) above.To be published Thursday 2 March (11.30AM). Ian Polin

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.7995	7.7998	-0.0003
Hang Seng Index	3064.18	3012.68	-51.5
3 month interbank rate	9 5/16%	9 5/16%	UNCHANGED

Terry Smeeton

NAME: I.C.Polin
TEL NO: 270-5556

SECRET

SECRET

MONEY MARKETS — **Tuesday 28th February 1989**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	12 11/16	1/2	9 7/8	0
1 mth	13 3/16	5/32	10	0
3 mth	13 3/8	0	10 1/4	0
12 mth	13 1/4	-1/16	10 11/16	-1/8

BILLS

	Today			Change
3 Month Treasury Bills	12 7/8	-	12 5/8	0

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			12 3/4-5/8
Band 2 (15-31 days)	503	12 13/16-27/32	13 1/16-13
Band 3 (32-63 days)	69	12 11/16-3/4	13-12 7/8
Band 4 (64-91 days)			12 15/16-7/8
TOTAL BILLS	572		
Repurchase			
Lending	80		
TOTAL OPERATIONS	652	Against shortage	£ 550 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	10.05	0.05	9.35	-0.03	9.30	-0.03

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1650.0	5.8	2002.4	5.7	87.81	0.20

MARKET COMMENT

GILTS opened firmer rallying after yesterday's selloff.Shorts were up 1/8, mediums 1/4 and longs 5/16.Market moved a little further forward during the morning,gaining another 1/8 or so, but the recovery then petered out in front of tomorrow's trade figures.At close shorts were up 1/4,mediums 5/16 and longs 3/8.

INDEX LINKED saw some demand; gains were up to a point largely on stock shortage, but demand died away in this sector too.

EQUITIES traded quietly in a narrow range at just above last nights closing levels.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4616

GILT-EDGED MARKET — **Tuesday 28th February 1989**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	February	March
Gross sales shorts	24.4	570.8	24.4
Gross sales mediums	27.0	581.1	27.0
Gross sales longs and undated	14.7	836.2	14.7
Gross sales index-linked	27.6	395.3	27.6
Part paid calls			
Buying in non-next maturities shorts	-28.1	-1294.5	-28.1
Buying in non-next maturities mediums	-31.0	-1267.1	-31.0
Buying in non-next maturities longs	-15.2	-1220.9	-15.2
Buying in non-next maturities index-linked	-19.8	-195.9	-19.8
CRND: Market transactions	-1.0	-19.7	-1.0
TOTAL 'GROSS' SALES	-1.4	-1614.7	-1.4
Buying in of next maturities	-54.0	-75.9	-54.0
Redemptions	-43.5	-2027.9	
TOTAL TRANSACTIONS WITH MARKET	-98.9	-3718.5	-55.4

Future calls

Sales required to meet target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	10.567	10	-0.08
Mediums	10.011	11	-0.06
Longs	9.337	12	-0.04

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	92 16	9	10.89	-0.11
8 3/4 Treasury 1997 'C'	92 26	13	10.02	-0.07
11 3/4% Treasury 2003/07	116 6	12	9.61	-0.05
3% Treasury 1992	84 6	2	8.63	-0.02
2 1/2% Index-Linked 2016	109 3	31	3.50	-0.04
2% Index-Linked 1994	97 28	14	3.44	-0.09

GILT FUTURES

		Open	Close	Volume
Long Contract	June	97.14	97.18	11963
Short Contract				

NAME: Peter Smith
TEL NO: 270 4616

28.11.

SECRET

Prime Minister

PRCG 30/1

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS — Tuesday 31 January 1989

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
98.2	£ERI	98.2	98.2	-5.9	14.7	7.3
1.7585	$/£	1.7620	1.756	28.4	14.9	5.5
3.2787	DM/£	3.2782	3.2855	-15.9	17.7	9.6
1.5715	ECU/£	1.5705	1.5727			
67.4	$ERI	-	67.6	-31.6	-6.9	-2.9
1.8645	DM/$	1.8605	1.871	52.7	-2.4	-3.8
129.47	Yen/$	129.15	129.85	85.5	18.2	10.0

Feb $16.80 Mar $16.02 Apr $15.65 Spot Brent Feb $16.75 Mar $16.02 Apr $15.70

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 88
1	417	5743
21	-62	-1915
22	355	3828

(a) Spot and forward transactions on a done date basis.

(b)

	January end-month position
Market intervention	413
Off-market transactions	-83
TOTAL	330
Net borrowing	-20
Valuation changes(EMCF swap)	-290
TOTAL CHANGE IN RESERVES	20

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

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-	Germany	-	Italy	+98DM
Denmark	-	Holland	-	Japan	-
France	-	Ireland	-	US	-

MARKET COMMENT

The market remained relatively quiet ahead of G7 meeting and US (un)employment data due on Friday. The dollar eased overnight on profit taking;and opened here quietly.Greenspan testimony to Joint Economic Committee where he reiterated his recent remarks on inflationary pressures and that the Fed. should err on the side of restrictiveness,led to fresh strengthening of the dollar. Sterling firmed against the Mark as the dollar strengthened.

JANUARY reserve figures are shown in Box (b);to be published Thursday 2 February 11.30AM.

Rates at 6.50PM: $1.7515 DM3.2911 DM/$1.8790 Y/$130.35

Ian Polin

HONG KONG	**Previous**	**Today**	**Change**
Hong Kong dollar	7.8005	7.8	0.0005
Hang Seng Index	3036.45	3072.86	36.41
3 month interbank rate	9 5/8%	9 5/8%	UNCHANGED

Chris Bailey

NAME: I.C.Polin
TEL NO: 270-5556

SECRET

SECRET

MONEY MARKETS — **Tuesday 31th January 1989**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	12 15/16	0	9 1/16	-1/16
1 mth	13 1/32	-1/16	9 1/16	-1/8
3 mth	13	1/32	9 5/16	0
12 mth	12 1/2	1/16	9 11/16	0

BILLS

	Today	Change
3 Month Treasury Bills	12 1/2 - 12 3/8	0

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	360	12 7/8	12 7/8-3/4
Band 2 (15-31 days)	24	12 13/16	12 3/4-47/64
Band 3 (32-63 days)	113	12 11/16	12 21/32-41/64
Band 4 (64-91 days)	80	12 5/8	12 31/64-15/32
TOTAL BILLS	577		
Repurchase	662	On 9/2/89 at 12 15/16	
Lending			
TOTAL OPERATIONS	1239	Against shortage £	1200 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	9.20	0.05	9.00	0.06	8.91	0.05

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1674.4	8.0	2051.8	8.9	88.28	-0.06

MARKET COMMENT

GILTS opened marginally easier, though losses were little more than 1/32.Prices tended to drift off during the day, though there was some recovery towards the close.Shorts ended 1/16 down,mediums unchanged and longs 1/16 down.

INDEX LINKED saw some late demand as the equity market came off its early highs; final prices were up to 5/8 up.

EQUITIES opened firmer on stock shortages and continued demand but ran out of steam on Wall Street's easier opening.Turnover remained high.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4616

GILT-EDGED MARKET — **Tuesday 31th January 1989**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS	Today	January	February
Gross sales shorts	22.1	474.4	22.1
Gross sales mediums	16.6	537.5	16.6
Gross sales longs and undated	73.0	574.9	73.0
Gross sales index-linked	70.8	423.8	70.8
Part paid calls			
Buying in non-next maturities shorts	-65.0	-614.7	-65.0
Buying in non-next maturities mediums	-19.9	-640.2	-19.9
Buying in non-next maturities longs	-102.6	-899.3	-102.6
Buying in non-next maturities index-linked	-35.8	-337.5	-35.8
CRND: Market transactions		-37.9	
TOTAL 'GROSS' SALES	-40.8	-519.0	-40.8
Buying in of next maturities		-501.1	
Redemptions		-1.6	
TOTAL TRANSACTIONS WITH MARKET	-40.8	-1021.7	-40.8

				Future calls
Sales required to meet	June	target of	£ m	

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	10.107	-3	0.02
Mediums	9.726	-1	0.01
Longs	9.196	-6	0.02

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	93 19	-5	10.40	0.07
8 3/4 Treasury 1997 'C'	94 16	0	9.70	0.00
11 3/4% Treasury 2003/07	117 6	-3	9.50	0.01
3% Treasury 1992	84 2	2	8.56	-0.02
2 1/2% Index-Linked 2016	106 10	14	3.61	-0.01
2% Index-Linked 1994	96 9	0	3.63	0.00

GILT FUTURES

		Open	Close	Volume
Long Contract	March	97.13	97.12	15801
Short Contract	*			

NAME: Peter Smith
TEL NO: 270 4616

ALL IN MG WOULD LIKE TO WISH THEIR READERS A VERY HAPPY NEW YEAR

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS — Friday 30 December 1988

Previous close		Today opening 8.30am	Today close 4.00pm		%change $/currency since Plaza	since Paris	since 16 October 1987
77.4	£ERI	77.6	77.7	*	-5.2	12.4	5.6
1.7902	$/£	1.7995	1.8081		32.2	18.3	8.6
3.2009	DM/£	3.2031	3.2047		-18.0	14.8	6.9
1.5417	ECU/£	1.5418	1.5419	(noon rate)			
94.7	$ERI	-	94.2		-32.5	-9.4	-6.0
1.7880	DM/$	1.7800	1.7725		61.2	3.0	1.6
125.85	Yen/$	125.72	124.95		92.8	22.9	14.3

*new ERI to be published 3.1.89 would have been 97.44

Jan $15.87 Feb $15.45 Mar $15.15 Spot Brent Jan $16.00 Feb $15.45 Mar $15.12

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 88
0	209	5316
9	48	-1853
9	257	3463

(a) Spot and forward transactions on a done date basis.

(b)

	Estimated end-month position *
Market intervention	382
Off-market transactions	79
TOTAL	461
Net borrowing	184
Valuation changes	0
TOTAL CHANGE IN RESERVES	645

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

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	+10$	Germany	-21$	Italy	-
Denmark	-	Holland	-	Japan	-
France	-	Ireland	-	US	-

MARKET COMMENT: Market has been very thin. Sterling firmed overnight following the rise in the mortgage rate it has continued to benefit from some commercial demand. The dollar is slightly easier.

Rates at 4.50pm $1.7735 DM3.2091 DM/$1.8095 Y/$124.10

R M Kobbie

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8100	7.8090	0.001
Hang Seng Index	2692.4	2687.44	-4.96
3 month interbank rate	9 3/16%	9	DOWN 1/16%

NAME: I.C.Polin
TEL NO: 270-5556

SECRET

MONEY MARKETS — **Friday 30th December 1988**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	12 7/8	0	9 1/8	0
1 mth	13	3/32	9 1/16	-1/16
3 mth	13 3/16	5/32	9 1/4	0
12 mth	12 7/8	1/8	9 9/16	0

BILLS

	Today	Change
3 Month Treasury Bills	12 9/16 - 12 1/2	0

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	163	12 7/8	12 13/16-3/4
Band 2 (15-31 days)	29	12 13/16	12 23/32-11/16
Band 3 (32-63 days)	130	12 11/16	12 45/64-43/64
Band 4 (64-91 days)	576	12 5/8	12 21/32-5/8
TOTAL BILLS	898		
Repurchase	34	On 9/1/89 at 12 15/16	
Lending	35	Average Discount Rate 12·5083%	
TOTAL OPERATIONS	967	against shortage £ 1100 m	

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	9.25	0.00	9.17	-0.02	9.08	-0.01

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1455.3	-7.8	1793.1	-10.3	87.10	-0.07

MARKET COMMENT

GILTS saw the year out quietly.Prices opened 1/8 easier and closed 1/8 to 3/16 softer in shorts and mediums and 1/8 off in longs.

INDEX LINKED closed up to 1/8 easier.

EQUITIES opened easier despite Wall Street's overnight strength as investors took profits from yesterday's rally.Turnover was very low with the market closing at 12.00

Peter Smith

NAME: Peter Smith
TEL NO: 270 4616

GILT-EDGED MARKET — Friday 30th December 1988

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS	Today	December	January
Gross sales shorts		546.8	
Gross sales mediums	3.0	343.1	3.0
Gross sales longs and undated	4.8	589.7	4.8
Gross sales index-linked	7.3	216.3	7.3
Part paid calls			
Buying in non-next maturities shorts		-499.3	
Buying in non-next maturities mediums	-10.1	-534.2	-10.1
Buying in non-next maturities longs	-7.8	-671.4	-7.8
Buying in non-next maturities index-linked	-8.4	-219.5	-8.4
CRND: Market transactions		-7.0	
TOTAL 'GROSS' SALES	-11.2	-235.5	-11.2
Buying in of next maturities		-22.4	
Redemptions	-0.1	-4.3	
TOTAL TRANSACTIONS WITH MARKET	-11.3	-262.2	-11.2

		Future calls
Sales required to meet	target of £ m	

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Yield (%)
Shorts	10.560	-4	0.03
Mediums	10.105	-4	0.02
Longs	9.440	-6	0.02

REPRESENTATIVE STOCKS

	Price (£/32) Today	Price (£/32) Change	Yield (per cent) Today	Yield (per cent) Change
8% Treasury 1992	92 8	-4	10.86	0.05
8 3/4 Treasury 1997 'C'	92 3	-4	10.14	0.03
11 3/4% Treasury 2003/07	114 24	-3	9.80	0.01
3% Treasury 1992	82 14	0	9.06	0.02
2 1/2% Index-Linked 2016	103	-2	3.75	0.00
2% Index-Linked 1994	94 26	-2	3.87	0.03

GILT FUTURES

		Open	Close	Volume
Long Contract	March	95.11	95.14	1772
Short Contract	*			

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Prime Minister
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MG EVENING REPORT

FOREIGN EXCHANGE MARKETS — Wednesday 30 November 1988

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
78.0	£ERI	78.1	78.3	-4.5	13.3	6.4
1.8472	$/£	1.8475	1.848	34.5	20.9	11.0
3.1920	DM/£	3.2049	3.2146	-17.6	15.2	7.3
1.5370	ECU/£	1.5424	1.5451			
92.3	$ERI	-	92.6	-33.7	-11.0	-7.6
1.7280	DM/$	1.7347	1.7395	63.3	5.0	3.5
121.57	Yen/$	121.85	122.12	95.4	25.7	17.0

Dec $14.25 Jan $14.02 Feb $13.95 Spot Brent Dec $14.25 Jan $14.02 Feb $13.95

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 88
120	949	5107
-59	-392	-1931
61	557	3176

(a) Spot and forward transactions on a done date basis.

(b)

	November end-month position
Market intervention	789
Off-market transactions	-361
TOTAL	428
Net borrowing	564
Valuation changes	0
TOTAL CHANGE IN RESERVES	992

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

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	+2$	Germany	-59$ (rechanneling)	Italy	-
Denmark	+5DM	Holland	-	Japan	-
France	-	Ireland	-	US	-

MARKET COMMENT

Sterling continued to rise overnight on the back of the Chancellors remarks in the House yesterday. Today sterling was in repeated commercial demand and reached a high of DM3.2155 despite well seen Bank intervention. The Chancellors remarks on sterling during TCSC appearance hit Reuters screens after London close.

The dollar having risen overnight on sterlings coat-tails had a quiet morning and traded steadily but firmed during the afternoon on the back of firmer sterling. The market awaits US leading indicator figures due out tomorrow and US (un)employment data due out on Friday.

November Reserve figures due to be published on Friday 2 December are in Box (b).

Rates at 7PM: $1.8525 DM3.2067 DM/$1.7310 Y/$121.55

Ian Polin

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8085	7.8068	0.0017
Hang Seng Index	2632.68	2659.3	26.62
3 month interbank rate	8 15/16%	9 3/16%	up 1/4%

Michael Foot

NAME: I.C.Polin
TEL NO: 270-5556

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MONEY MARKETS — **Wednesday 30th November 1988**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	12 15/16	1/8	8 7/16	-1/16
1 mth	13	3/32	9 7/16	3/4
3 mth	13 3/16	1/32	9 5/16	-1/8
12 mth	13	0	9 3/8	-1/8

BILLS

	Today			Change
3 Month Treasury Bills	12 5/8	-	12 1/2	0

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	463	12 7/8	12 15/16-13/16
Band 2 (15-31 days)	115	12 13/16	12 25/32-3/4
Band 3 (32-63 days)	70	12 11/16	12 23/32-11/16
Band 4 (64-91 days)	177	12 5/8	12 41/64-5/8
TOTAL BILLS	825		
Repurchase	556	ON 12 DEC AT 12 5/16	
Lending	90		
TOTAL OPERATIONS	1471	against shortage	£ 1450 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	9.15	-0.15	9.14	-0.02	9.15	-0.02

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1458.5	3.1	1792.4	5.5	87.41	-0.02

MARKET COMMENT

GILTS had a quiet day. Prices showed signs of trying to improve originally with rises of 1/8 through the list, but the appearance of 100mn bulldog issue from the EIB checked the market and prices tended to drift off particularly at the longer end. Shorts ended unchanged, mediums 1/6 lower and longs 3/16 to 1/4 down.

INDEX LINKED had a good morning but then ran out of steam: prices finished 5/8 up.

EQUITIES opened firmer on Tokyo's record high overnight with properties up on rumours of a possible improved offer for Hammerson Properties. Trading remained quiet with prices easing to the day's low at the close.

Pete Smith

NAME: Peter Smith
TEL NO: 270 4613

GILT-EDGED MARKET — **Wednesday 30th November 19**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	November	December
Gross sales shorts	6.3	173.4	6.3
Gross sales mediums		158.4	
Gross sales longs and undated	9.0	820.6	9.0
Gross sales index-linked	3.1	416.8	3.1
Part paid calls			
Buying in non-next maturities shorts	-6.9	-372.4	-6.9
Buying in non-next maturities mediums	-7.4	-358.3	-7.4
Buying in non-next maturities longs	-1.3	-1271.8	-1.3
Buying in non-next maturities index-linked	-3.6	-829.3	-3.6
CRND: Market transactions		-63.4	
TOTAL 'GROSS' SALES	-0.8	-1326.0	-0.8
Buying in of next maturities		-54.0	
Redemptions	-0.2	-13.4	
TOTAL TRANSACTIONS WITH MARKET	-1.0	-1393.4	-0.8

Future calls

Sales required to meet June target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	10.766		
Mediums	10.152	-2	0.01
Longs	9.417	-1	0.00

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	91 24	2	10.99	-0.02
8 3/4 Treasury 1997 'C'	91 19	1	10.22	-0.01
11 3/4% Treasury 2003/07	114 14	-8	9.83	0.03
3% Treasury 1992	82 18	4	8.86	-0.05
2 1/2% Index-Linked 2016	103 26	50	3.68	-0.03
2% Index-Linked 1994	95 13	11	3.62	-0.07

GILT FUTURES

		Open	Close	Volume
Long Contract	December	94.26	94.22	5111
Short Contract	December	92.06	92.01	70

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Prime Minister

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MG EVENING REPORT

FOREIGN EXCHANGE MARKETS — Monday 31 October 1988

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
76.4	£ERI	76.5	76.4	-6.8	10.6	3.8
1.7685	$/£	1.7772	1.7695	28.8	15.8	6.3
3.1421	DM/£	3.1439	3.1497	-19.3	12.8	5.1
1.5177	ECU/£	1.5176	1.5203			
95	$ERI	-	95.2	-31.8	-8.5	-5.0
1.7767	DM/$	1.7690	1.78	59.6	2.6	1.2
125.82	Yen/$	124.80	125.35	90.3	22.5	14.0

Nov $12.65 Dec $12.82 Jan $12.97 Spot Brent Nov $12.62 Dec $12.82 Jan $12.97

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 88
3	269	4158
-18	-395	-1539
-15	-126	2619

(a) Spot and forward transactions on a done date basis.

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

(b)

	October end-month position
Market intervention	390
Off-market transactions	734
TOTAL	1124
Net borrowing	-1660
Valuation changes(EMCF swap)	102
TOTAL CHANGE IN RESERVES	-434

* On conventional assumption of no further market intervention.

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-69DM	Germany	-	Italy	+24$
Denmark	-	Holland	-	Japan	+346$
France	-	Ireland	-	US	+150$ agst Yen

MARKET COMMENT

The dollar eased in New York on Friday night as bearish sentiment returned to the currency following denials by the US government that there was evidence to support the rumour that Syria was about to invade Lebanon and the latest polls showed Dukakis closing the gap on Bush.The dollar continued to ease in the Far East despite (well seen) large scale intervention by the BOJ.Today it remained soft until the Fed. intervened on three separate occasions and telephoned for rates afterwards whereupon the dollar firmed to levels only slightly below Friday's London closes.
Sterling mostly on the sidelines but saw some professional demand mainly from the Far East this morning and,although easing against a firmer dollar this afternoon,held it's ground against the Mark.

Rates at 6.05PM: $1.7650 DM3.1523 DM/$1.7860 Y/$125.67

Ian Polin

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.811	7.8115	-0.0005
Hang Seng Index	2614.47	2627.41	12.94
3 month interbank rate	8 3/8%	8 3/8%	UNCHANGED

Terry Smeeton

NAME: I.C.Polin
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MONEY MARKETS Monday 31 **October 1988**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	11 15/16	3/16	8 5/16	-1/16
1 mth	11 15/16	1/32	8 5/16	0
3 mth	12 1/16	1/32	8 9/16	0
12 mth	11 27/32	1/8	8 11/16	0

BILLS

	Today			Change
3 Month Treasury Bills	11 5/8	-	11 1/2	1/16

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	348	11 7/8	12-11 7/8
Band 2 (15-31 days)	48	11 13/16	11 3/4-11/16
Band 3 (32-63 days)	15	11 3/4	11 11/16-5/8
Band 4 (64-91 days)	4	11 11/16	11 21/32-5/8
TOTAL BILLS	415		
Repurchase			
Lending	575		
TOTAL OPERATIONS	990	against shortage	£ 850 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.40	0.00	8.69	-0.02	8.79	-0.03

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1501.7	-7.2	1852.4	-6.0	89.04	-0.03

MARKET COMMENT

GILTS opened broadly unchanged and traded narrowly throughout the morning though the trend,if any,was easier.This afternoon prices slipped,especially in shorts,as March short sterling weakened dramatically.At the close,shorts and mediums were 1/4 easier,longs off by 3/16 to 1/4

INDEX-LINKED opened firm and quickly advanced.By lunchtime longer issues were 3/4 to 7/8 better but at the close short issues were 3/16 firmer and next century maturities 1/2 to 5/8

EQUITIES opened steady in quiet trading, with many operators staying on the sidelines ahead of the Chancellor's Autumn Statement on Tuesday.Prices slipped in response to Wall Street's early falls

Peter Smith

NAME: Peter Smith
TEL NO: 270 4613

GILT-EDGED MARKET Monday 31 October 1988

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	October	November
Gross sales shorts		19.5	
Gross sales mediums	5.8	834.3	5.8
Gross sales longs and undated	43.8	1343.5	43.8
Gross sales index-linked	15.0	532.5	15.0
Part paid calls			
Buying in non-next maturities shorts		-57.9	
Buying in non-next maturities mediums	-4.8	-769.8	-4.8
Buying in non-next maturities longs	-74.7	-1902.9	-74.7
Buying in non-next maturities index-linked	-7.0	-93.6	-7.0
CRND: Market transactions		-26.5	
TOTAL 'GROSS' SALES	-21.9	-120.9	-21.9
Buying in of next maturities		-81.5	
Redemptions	-9.5	-1794.2	
TOTAL TRANSACTIONS WITH MARKET	-31.4	-1996.6	-21.9

Future calls

Sales required to meet target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	9.858	-10	0.08
Mediums	9.584	-9	0.05
Longs	9.137	-7	0.02

REPRESENTATIVE STOCKS

	Price (£/32) Today	Price (£/32) Change	Yield (per cent) Today	Yield (per cent) Change
8% Treasury 1992	94 2	-6	10.08	0.07
8 3/4 Treasury 1997 'C'	95 7	-5	9.56	0.03
11 3/4% Treasury 2003/07	117 29	-5	9.43	0.03
3% Treasury 1992	84 2	0	8.18	0.00
2 1/2% Index-Linked 2016	104 28	22	3.57	-0.04
2% Index-Linked 1994	96 8	8	3.23	-0.05

GILT FUTURES

		Open	Close	Volume
Long Contract	December	97.18	97.14	9746
Short Contract	December			

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MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Friday 30 September 1988

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
75.8	£ERI	75.9	75.9	-7.4	9.8	3.1
1.6820	$/£	1.6865	1.686	22.7	10.3	1.3
3.1667	DM/£	3.1693	3.1692	-18.8	13.5	5.7
1.5258	ECU/£	1.5271	1.527			
99.7	$ERI	-	99.6	-28.7	-4.2	-0.6
1.8827	DM/$	1.8792	1.8797	51.1	-2.8	-4.2
134.27	Yen/$	134.35	134.57	77.3	14.1	6.2

Oct $12.47 Nov $12.67 Dec $12.80 Spot Brent Oct $11.90 Nov $12.10 Dec $12.25

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 88
72	261	3889
-23	-335	-1144
49	**-74**	**2745**

(a) Spot and forward transactions on a done date basis.

(b)

	September end-month position
Market intervention	131
Off-market transactions	-274
TOTAL	**-143**
Net borrowing	-14
Valuation changes	0
TOTAL CHANGE IN RESERVES	**-157**

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

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-	Germany	-	Italy	+161DM,+5ECU
Denmark	-	Holland	-	Japan	-
France	-	Ireland	-	US	-

MARKET COMMENT

After a quiet day the market began to pick up after the close.
The dollar traded in a narrow range with US statistics having little effect.After the close two comments by Fed. Governor Seger who said that a sharply higher dollar could put the brakes on US expansion and by Subroto of OPEC who said he feared that the Saudis may flood the oil market caused the dollar to fall away quite sharply.
Sterling was steady today awaiting the next set of major UK indicators.

SEPTEMBER Reserve figures,to be published on TUESDAY 4 OCTOBER are shown in Box (B).

Rates at 9PM: $1.6923 DM3.1629 DM/$1.8690 Y/$132.77

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8097	7.81	-0.0003
Hang Seng Index	2439.39	2441.05	1.66
3 month interbank rate	8 9/16%	8 7/16%	DOWN 1/8%

NAME: I.C.Polin
TEL NO: 270-5556

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MONEY MARKETS — **Friday 30th September 1988**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	11 7/8	1/8	8 1/4	0
1 mth	11 13/16	1/8	8 5/16	0
3 mth	11 15/16	1/16	8 5/8	0
12 mth	11 3/4	1/16	8 7/8	-1/16

BILLS

	Today			Change
3 Month Treasury Bills	11 1/2	-	11 3/8	1/8

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	263	11 7/8	11 7/8-5/8
Band 2 (15-31 days)	2	11 13/16	11 3/4-5/8
Band 3 (32-63 days)			11 21/32-5/8
Band 4 (64-91 days)			11 11/16-9/16
TOTAL BILLS	265		
Repurchase			
Lending	250	At 12%	
TOTAL OPERATIONS	515	against shortage	£ 450 m

Average rate of Discount 11 3908%

US RATES	3 month CDs	10 yr Tsy Bond	20 yr Tsy Bond
Today/Change	8.40 0.15	8.94 -0.07	9.05 -0.06
STOCK MARKET	FT Ind-Ord	FTSE	Gilt index
Today/Change	1476.5 -1.1	1826.5 -2.5	87.97 0.08

MARKET COMMENT

GILTS had a quiet day.Shorts and longs opened 1/16 easier,mediums unchanged.Stock was offered,especially in shorts,following Bank's invitation to 230 lending but the market recovered strongly on the late surge in sterling and US treasuries to close with gains of 1/16 in shorts,3/16 in mediums and 1/4 in longs.

INDEXED LINKED,moderately firm throughout, enjoyed a late surge and finished a 1/4 to 3/8 better.

EQUITIES traded in a narrow range just below last night's closing levels, ignoring sterling's improvement and Wall Street's good start

Peter Smith

NAME: Peter Smith
TEL NO: 270 4613

GILT-EDGED MARKET — **Friday 30th September 1988**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	September	October
Gross sales shorts		68.0	
Gross sales mediums	18.6	570.7	18.6
Gross sales longs and undated	121.2	772.3	121.2
Gross sales index-linked	7.2	401.0	7.2
Part paid calls		369.9	
Buying in non-next maturities shorts		-40.8	
Buying in non-next maturities mediums	-24.0	-624.4	-24.0
Buying in non-next maturities longs	-138.9	-1087.2	-138.9
Buying in non-next maturities index-linked	-6.6	-373.5	-6.6
CRND: Market transactions		-32.8	
TOTAL 'GROSS' SALES	-22.5	23.2	-22.5
Buying in of next maturities	-10.1	-4.1	-10.1
Redemptions	-0.2	-7.8	
TOTAL TRANSACTIONS WITH MARKET	-32.8	11.3	-32.6

Future calls

Sales required to meet target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	10 17	2	-0.02
Mediums	9.898	5	-0.03
Longs	9.418	5	-0.02

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	93 26	2	10.13	-0.02
8 3/4 Treasury 1997 'C'	93 24	6	9.82	-0.03
11 3/4% Treasury 2003/07	115 30	10	9.66	-0.04
3% Treasury 1992	83 12	2	8.32	-0.01
2 1/2% Index-Linked 2016	98 14	10	3.88	-0.02
2% Index-Linked 1994	94	0	3.58	0.01

GILT FUTURES

		Open	Close	Volume
Long Contract	December	95.15	95.19	10248
Short Contract	December	94.00	93.29	622

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MG EVENING REPORT

FOREIGN EXCHANGE MARKETS — Wednesday 31 August 1988

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
75.8	£ERI	75.8	75.8	-7.6	9.7	3.0
1.6902	$/£	1.6845	1.681	22.3	10.0	1.0
3.1581	DM/£	3.1579	3.1573	-19.1	13.1	5.4
1.5226	ECU/£	1.5213	1.521			
99.6	$ERI	-	100.2	-28.2	-3.7	0.0
1.8685	DM/$	1.8747	1.8782	51.2	-2.8	-4.1
134.45	Yen/$	135.00	136.62	74.6	12.4	4.6

Sep $14.45 Oct $14.55 Nov $14.65 Spot Brent Sep $14.60 Oct $14.70 Nov $14.82

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 88
6	-100	3628
*504	363	-809
510	**263**	**2819**

* includes $495 million equivalent BP share receipts.

(a) Spot and forward transactions on a done date basis.

(b)

	August end-month position
Market intervention	373
Off-market transactions	454
TOTAL	**827**
Net borrowing	-14
Valuation changes	0
TOTAL CHANGE IN RESERVES	**813**

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

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-	Germany	-10$	Italy	-44$
Denmark	-	Holland	-	Japan	-
France	-	Ireland	-	US	-

MARKET COMMENT

The dollar traded cautiously in New York last night ahead of Fridays US (un)employment data. In the Far East this morning it rose especially against the Yen on rumours that the Japanese were to impose a tax on stock exchange profits and on an announcement by a Japanese official that Japan had no plans to increase their discount rate. Today the dollar remained firm with the Bundesbank intervening modestly. Sterling is mostly on the sidelines. After a short bout of speculative selling this morning it closed the day around DM3.1575, little changed overall since last nights close.
August Reserve figures, TO BE PUBLISHED ON FRIDAY 2 SEPTEMBER are shown in Box (B).

Rates at 6.45PM: $1.6848 DM3.1607 DM/$1.8760 Y/$136.27

Iam Polin

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.804	7.8045	-0.0005
Hang Seng Index	2439.55	2443.8	4.25
3 month interbank rate	8 7/8%	8 3/4%	DOWN 1/8%

Chris Bailey

NAME: I.C.Polin
TEL NO: 270-5556

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MONEY MARKETS — **Wednesday 31 August 1988**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	11 15/16	-1/8	8 1/16	-1/8
1 mth	12 1/16	0	8 5/16	-1/8
3 mth	12 10/32	1/16	8 1/2	-1/16
12 mth	12 5/32	-7/32	9 1/8	0

BILLS

	Today			Change
3 Month Treasury Bills	11 5/8	-	11 1/2	0

BANK MONEY MARKET OPERATIONS

	Purchases £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	132	11 7/8	11 7/8-3/4
Band 2 (15-31 days)	8	11 13/16	11 11/16-21/32
Band 3 (32-63 days)			11 3/4-45/64
Band 4 (64-91 days)	285	11 11/16	11 3/4-45/64
TOTAL BILLS	425		
Repurchase			
Lending	365		
TOTAL OPERATIONS	790	against shortage	£ 800 m

US RATES

	3 month CDs		10 yr Tsy Bond		20 yr Tsy Bond	
Today/Change	8.40	0.00	9.26	-0.02	9.31	-0.02

STOCK MARKET

	FT Ind-Ord		FTSE		Gilt index	
Today/Change	1412.7	8.6	1753.6	-1.2	86.63	-0.16

MARKET COMMENT

GILTS opened little changed and were steady until mid- morning when sellers appeared.Prices fell quickly and at worst were easier by 1/8 in shorts,1/4 in mediums and 3/8 in longs.A modest recovery ensued in the afternoon and at close shorts were unchanged, mediums were 1/8 easier and longs 1/4.

INDEXED LINKED lost 1/8 in longer maturities but shoeter issues were up to 3/8 easier with Lloyds sellers rumoured.

Equities opened marginally better and in very quiet trading inched ahead only to fade prior to the close as Wall Street lost early gains.

Peter Smith

NAME: Peter Smith
TEL NO: 270 4613

GILT-EDGED MARKET — **Wednesday 31 August 1988**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	August	September
Gross sales shorts		323.1	
Gross sales mediums	28.5	272.7	28.5
Gross sales longs and undated	22.0	740.7	22.0
Gross sales index-linked	3.4	369.6	3.4
Part paid calls		0.2	
Buying in non-next maturities shorts		-12.2	
Buying in non-next maturities mediums	-21.8	-398.4	-21.8
Buying in non-next maturities longs	-58.7	-1145.6	-58.7
Buying in non-next maturities index-linked	-3.7	-257.9	-3.7
CRND: Market transactions		-33.1	
TOTAL 'GROSS' SALES	-30.3	-140.9	-30.3
Buying in of next maturities	-0.7	-134.6	-0.7
Redemptions	-0.3	-25.2	
TOTAL TRANSACTIONS WITH MARKET	-31.3	-300.7	-31.0

Future calls	369

Sales required to meet target of £ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	10.434		
Mediums	10.180	-1	0.01
Longs	9.675	-7	0.02

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	92 18	-1	10.51	0.01
8 3/4 Treasury 1997 'C'	91 26	-2	10.16	0.01
11 3/4% Treasury 2003/07	113 13	-7	9.96	0.02
3% Treasury 1992	82 14	-4	8.53	0.05
2 1/2% Index-Linked 2016	97 4	-6	3.89	0.01
2% Index-Linked 1994	93 8	-10	3.49	0.06

GILT FUTURES

	Open	Close	Volume
Long Contract	93.17	93.08	27654
Short Contract			

NAME: Peter Smith
TEL NO: 270 4613

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Telegraphed to Party 20:30 29/7

MG EVENING REPORT

FOREIGN EXCHANGE MARKETS — **Friday 29 July 1988**

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
76.8	£ERI	77.1	76.5	-6.7	10.7	3.9
1.7267	$/£	1.7260	1.7115	24.6	12.0	2.8
3.2099	DM/£	3.2259	3.2031	-17.9	14.7	6.9
1.5414	ECU/£	1.5462	1.5349			
98.2	$ERI	-	98.6	-29.4	-5.2	-1.6
1.8590	DM/$	1.8690	1.8715	51.8	-2.4	-3.8
132.25	Yen/$	132.55	132.8	79.6	15.6	7.6

Aug $15.65 Sep $15.57 Oct $15.65 Spot Brent Aug $15.75 Sep $15.67 Oct $15.75

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 88
-2	1455	3728
5	-251	-1172
3	1204	2556

(a) Spot and forward transactions on a done date basis.

(b)

	June end-month position
Market intervention	990
Off-market transactions	-80
TOTAL	910
Net borrowing	-47
Valuation changes(EMCF swap)	444
TOTAL CHANGE IN RESERVES	1307

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

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-	Germany	-534$	Italy	+322DM,-25$
Denmark	+16DM	Holland	-60$	Japan	-
France	-50$	Ireland	-	US	-150$ agstDM(29 July)
				"	-100$ agstDM(28 July)

MARKET COMMENT

The forex markets were very thin and in a pre-holiday mood.Market attention on dollar. The dollar after firming to a high of DM1.8680 in New York last night when the Fed. intervened to stop it going higher.In the Far East the dollar was steady.Today it firmed through DM1.87(chart point) when the Bundesbank intervened for the first of several occasions today.A large commercial order from Europe caused the dollar to rise significantly to high of DM1.8822 but further concerted intervention caused it to ease to a low of DM1.8605.It later firmed above DM1.87 with markets unwilling to go short of dollars before August.
Sterling moved around as dollar moved either up or down.It reached a low of DM3.1955 when the dollar rose and sterling fell more than the Mark.
Rates at 7.30PM: $1.7090 DM3.2112 DM/$1.8790 Y/$133.15

Ian Polin

HONG KONG	Previous	Today	Change
Hong Kong dollar	7.8075	7.8105	-0.003
Hang Seng Index	2663.45	2678.92	15.47
3 month interbank rate	8 7/16%	8 1/2%	UP 1/16%

Chris Bailey

NAME: I.C.Polin
TEL NO: 270-5556

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MONEY MARKETS — **Friday 29th July 1988**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	10 1/8	0	7 7/8	0
1 mth	10 7/16	0	8 1/16	0
3 mth	10 55/64	7/64	8 3/8	0
12 mth	11	1/16	8 13/16	0

BILLS

	Today	Change
3 Month Treasury Bills	10 3/8 - NA NA	NA NA

BANK MONEY MARKET OPERATIONS

	Purchases/Sales £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)	152	10 3/8	10 1/4 - 1/8
Band 2 (15-31 days)			10 5/32 - 1/8
Band 3 (32-63 days)	3	10 3/8	10 11/32 - 5/16
Band 4 (64-91 days)	132	10 3/8	10 27/64 - 25/64
TOTAL BILLS	287		
Repurchase		Treasury Bill Tender; average rate of discount =10.2638%	
Lending	445		
TOTAL OPERATIONS	732	against shortage £ 700 m	

US RATES

	3 month CDs	10 yr Tsy Bond	20 yr Tsy Bond
Today/Change	8.20 0.08	9.15 0.02	9.29 0.00

STOCK MARKET

	FT Ind-Ord	FTSE	Gilt index
Today/Change	1489 8	1854 12	87.96 -0.07

MARKET COMMENT

GILTS opened better with Sterling, shorts and mediums were 1/8 firmer and longs 1/4. As the pound peaked early buyers took some profit and a downward momentum took hold. The afternoon was quiet as the softer turn prevailed, at the close the market was 1/8 easier throughout.

INDEX-LINKED opened brightly with gains of 1/2-5/8 at the longer end before the market turned back inline with conventionals. At 3.30pm, the issue to the Bank was announced of, 100m each of 2% index-linked 2006 and 2 1/2% index-linked 2016. This caused the market to close unchanged to 1/8 firmer.

EQUITIES made modest gains this afternoon.

Carl Davey

NAME: Carl Davey
TEL NO: 270 4613

GILT-EDGED MARKET **Friday 29th July 1988**

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS	Today	July	August
Gross sales shorts		42.7	
Gross sales mediums	3.1	135.5	3.1
Gross sales longs and undated	21.5	111.7	21.5
Gross sales index-linked	22.4	415.0	22.4
Part paid calls		132.8	
Buying in non-next maturities	-45.5	-739.2	-45.5
CRND: Market transactions	-0.2	-49.1	-0.2
TOTAL 'GROSS' SALES	1.3	49.4	1.3
Buying in of next maturities		-20.0	
Redemptions	-0.7	-1238.5	
TOTAL TRANSACTIONS WITH MARKET	0.6	-1209.1	1.3

		Future calls
Sales required to meet	target of	£ m

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Yield (%)
Shorts	9.862	-4	0.03
Mediums	9.774	-5	0.03
Longs	9.443	-4	0.01

REPRESENTATIVE STOCKS

	Price (£/32) Today	Price (£/32) Change	Yield (per cent) Today	Yield (per cent) Change
8% Treasury 1992	94 2	-4	9.94	-0.04
8 3/4% Treasury 1997 'C'	94 4	-5	9.74	0.03
11 3/4% Treasury 2003/07	115 30	-4	9.85	0.01
2 1/2% Index-Linked 2016	97 28	4	3.84	-0.01
3% Treasury Loan, 1992	84	-4	7.88	0.05
2% Index-Linked 1994	94 24	1	3.16	0.01

GILT FUTURES

		Open	Close	Volume
Long Contract	September	95.05	94.24	15216
Short Contract	September			

NAME: Carl Davey
TEL NO: 270 4613

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MG EVENING REPORT

FOREIGN EXCHANGE MARKETS

Thursday 30 June 1988

Previous close		Today opening 8.30am	Today close 4.00pm	%change $/currency since Plaza	since Paris	since 16 October 1987
75.5	£ERI	75.4	75.2	-8.3	8.8	2.2
1.7130	$/£	1.7172	1.7055	24.1	11.6	2.5
3.1214	DM/£	3.1153	3.1044	-20.5	11.2	3.6
1.5035	ECU/£	1.5014	1.4982			
97.6	$ERI	-	97.7	-30.0	-6.1	-2.5
1.8222	DM/$	1.8142	1.8202	56.1	0.3	-1.1
132.97	Yen/$	132.30	133.77	78.3	14.8	6.8

Jul $14.72 Aug $14.95 Sep $15.15 Spot Brent Jul $14.35 Aug $14.62 Sep $14.85

UK RESERVE TRANSACTIONS ($million)

(a)

Today	This month so far	Total since 1 Apr 88
-14	560	2273
10	-290	-921
-4	270	1352

(a) Spot and forward transactions on a done date basis.

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

	(b) June end-month position
Market intervention	530
Off-market transactions	-446
TOTAL	84
Net borrowing	-98
Valuation changes	0
TOTAL CHANGE IN RESERVES	-14
MOD forward foreign currency needs	307

OTHER COUNTRIES MARKET INTERVENTION ($million equivalent)

Belgium	-	Germany	-100$	Italy	+61DM
Denmark	+2DM	Holland	-	Japan	-
France	-	Ireland	-	US	-200$ agst DM(29.06)

MARKET COMMENT **Markets dominated by European interest rate hikes.** **The dollar eased in New York last** night,prior to US long weekend and the Bundesbank Council meeting,on Fed. intervention.It eased further in Far East despite various comments from Takashita(that a dollar level of Y132-133 was acceptable)and Miyazawa(that he was against immediate intervention) as well as Yeutter(that a further dollar rise would not harm US competitiveness).Today the dollar gradually firmed on the back of several European interest rate hikes[Germany,discount rate +1/2% to 3% and Repo rate +1/4% to 3 3/4%;Swiss,Lombard +1/2% to 4 1/2%;Austria discount +1/2% to 3 1/2%;Dutch discount +1/4% to 3 1/2%;Belgians discount +1/4% to 6 3/4%] and it closed on a firm note on a rumour that US/Japan agreed at Toronto to allow the $/Y rate to rise 10% above its rate around the time of December G7 statement (i.e to firm to Y137/138).Sterling gradually eased on the back of the dollar rise and as expectations of a UK base rate hike lessened.
Rates at 5.25PM: $1.7160 DM3.1137 DM/$1.8145 Y/$133.00

HONG KONG	**Previous**	**Today**	**Change**
Hong Kong dollar	7.8	7.8035	-0.0035
Hang Seng Index	2648.22	2671.49	23.27
3 month interbank rate	8%	7 15/16%	DOWN 1/16%

Terry Smeeton

NAME: I.C.Polin
TEL NO: 270-5556

SECRET

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MONEY MARKETS — **Thursday 30th June 1988**

INTEREST RATES

	£ Interbank		Eurodollar	
	Today	Change	Today	Change
7 days	8 3/4	1/8	7 3/4	0
1 mth	9 7/16	3/32	7 3/4	-1/16
3 mth	9 31/32	1/8	7 7/8	1/16
12 mth	10 3/8	3/16	8 5/16	0

BILLS

	Today	Change
3 Month Treasury Bills	9 1/2 - 9 1/4	0

BANK MONEY MARKET OPERATIONS

	Purchases/Sales £ m	Rates	Discount Rate on Eligible Bank Bills
Band 1 (0-14 days)			8 7/8 - 5/8
Band 2 (15-31 days)			9 5/32 - 1/8
Band 3 (32-63 days)	242	9 3/8-7/16	9 1/2 - 15/32
Band 4 (64-91 days)	309	9 3/8-1/2	9 5/8 - 19/32
TOTAL BILLS	551		
Repurchase			
Lending	10		
TOTAL OPERATIONS	561	Against shortage £	550 m

US RATES

	3 month CDs	10 yr Tsy Bond	20 yr Tsy Bond
Today/Change	7.68 0.08	8.87 0.04	9.05 0.06

STOCK MARKET

	FT Ind-Ord	FTSE	Gilt index
Today/Change	1483.2 3.5	1857.6 2.5	88.27 -0.02

MARKET COMMENT

GILTS saw little movement today opening unchanged and were fractionally better in the morning. Prices drifted back on the general rise of interest rates to close 1/16 down through the list.

INDEX-LINKED were generally unchanged.

EQUITIES traded quietly firmer on the steadier pound.

Carl Davey

NAME: Carl Davey
TEL NO: 270 4613

SECRET

GILT-EDGED MARKET — Thursday 30th June 1988

Transactions basis, cash values (£m); sales + purchases -

ISSUE DEPARTMENT: MARKET TRANSACTIONS

	Today	June	July
Gross sales shorts	5.4	13.9	5.4
Gross sales mediums		43.0	
Gross sales longs and undated		16.6	
Gross sales index-linked	7.9	169.1	7.9
Part paid calls	11.5	417.9	
Buying in non-next maturities	-12.1	-611.1	-12.1
CRND: Market transactions	-0.2	-63.1	-0.2
TOTAL 'GROSS' SALES	12.5	-13.7	1.0
Buying in of next maturities		42.6	
Redemptions	-0.2	-731.3	
TOTAL TRANSACTIONS WITH MARKET	12.3	-702.4	1.0

			Future calls
Sales required to meet	June	target of	£ 500 m

499

PRICES/YIELDS OF GILT-EDGED STOCKS

	Yesterday's close: Par yield (per cent)	Change from yesterday's close: Price (£/32)	Change from yesterday's close: Yield (%)
Shorts	9.693		
Mediums	9.796		
Longs	9.547	-1	0.00

REPRESENTATIVE STOCKS

	Price (£/32): Today	Price (£/32): Change	Yield (per cent): Today	Yield (per cent): Change
8% Treasury 1992	94 24	-2	9.68	0.03
8 3/4% Treasury 1997 'C'	93 27	-2	9.77	0.01
11 3/4% Treasury 2003/07	115 18	-2	9.90	0.01
2 1/2% Index-Linked 2016	96 16	0	3.90	0.00
3% Treasury Loan, 1992	84 14	6	7.64	-0.06
2% Index-Linked 1994	40 7	1	2.96	-0.01

GILT FUTURES

		Open	Close	Volume
Long Contract	September	94.00	93.31	17611
Medium Contract	September	94.09	94.07	71

NAME: Carl Davey
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