

Evan Bling

PRIME MINISTER

STERLING

I thought you should be aware that there has been heavy selling of sterling this morning. Sterling closed on Friday night at \$2.18, with sterling effective at 69.3. At 1130 the sterling/dollar rate had fallen to 2.13, and the sterling effective rate was down to 67.6. The Bank have intervened heavily to moderate the fall - having spent \$280 million already this morning.

Worries about the industrial situation appear to be the cause of this. But in addition I suspect that the market is now realising that sterling - in terms of competitiveness and against a background of a big current account deficit - went a good deal too high earlier in the summer.

TL

Tried to say that the Chancellor and the
Government had decided not to take a
stand against a further drop if this
was to cost further significant amounts,
but that the Bank would try to moderate
any further fall (and even take the
opportunity of staging a reversal) if
this can be achieved without undue cost.
The PM fully concurred - and especially that we should not
intervene on a much larger scale. TL 17/9

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