

SECRET

The Deputy
Governor

Copies to:

- The Governor & R
- Mr. D. G. Hall
- Mr. Lockhart & R
- Mr. Dow
- Mr. Coleby
- Mr. George
- Mr. Woodhead
- Mr. Sargison
- OPS
- PERSONNEL

CW

Just sent over by
the Chancellor's office.

R
29/9
5pm.

SECRET

TO: MR T ALLEN
FROM: MR JENKINS*Mr Jenkins
HM Treasury*

SECRET

PM WASHINGTON 292200Z SEP 81

TO IMMEDIATE UKDEL MELBOURNE

TELEGRAM NUMBER 001 OF 28 SEPTEMBER

INFO IMMEDIATE F C O (PERSONAL FOR CHIEF SECRETARY, WASS, RYRIE,
JENKINS, MIDDLETON (TREASURY) AND LANKESTER (NO.18)FOLLOWING PERSONAL FOR PRIME MINISTER FROM CHANCELLOR OF THE
EXCHEQUER.

1. MY ASSESSMENT OF THE U.S. SCENE, AND ITS SIGNIFICANCE FOR US,
REMAINS AS IN MY REPORT OF 27 SEPTEMBER (WASHINGTON TELNO.2 TO
KUWAIT), THOUGH I HAVE SINCE HAD TALKS WITH REGAN AND VOLCKER.
2. YOU WILL HAVE HEARD THAT THE LONDON EQUITY MARKET FELL A FURTHER
17 POINTS TODAY (MONDAY) AND THAT THERE WERE FALLS ALSO IN
NEW YORK, TORONTO AND PARIS. IN NEW YORK, HOWEVER, THE SHARP FALL
WAS MORE THAN RECOVERED DURING THE DAY, AND IN LONDON THE POSITION
WAS SLIGHTLY BETTER BY THE CLOSE. INTEREST RATES IN LONDON MOVED UP
A LITTLE IN THE MARKETS, WITH 3-MONTH RATES RISING 3/8 TO 16 5/8 AND
7-DAY MONEY CLOSING AT 14 7/8.
3. I HAVE HAD DISCUSSIONS WITH LEON BRITTON IN LONDON AND WITH THE
GOVERNOR, WHO IS SIMILARLY IN CLOSE TOUCH WITH HIS PEOPLE AT HOME.
IN THE LIGHT OF THE MOVEMENTS IN THE MARKET, I AGREED TO MOVE THE
LIMITS, WITH WHICH YOU ARE FAMILIAR, UP BY ONE POINT. THIS GIVES THE
BANK THE NECESSARY ROOM FOR THEIR OPERATIONS. IN THE PRESENT
CIRCUMSTANCES NONE OF US SAW SCOPE FOR RESISTING THE MARKET
MOVEMENTS.
4. ON THE EXCHANGES WE STARTED THE DAY IN LONDON AT 85.9 EFFECTIVE
AND ENDED AT 86.4. I HAVE AUTHORISED THE BANK TO CONTINUE OPERATING
IN CASE OF NEED IN THE EXCHANGE MARKETS AT A SCALE BROUGHT IN LINE
WITH WHAT WE HAVE AGREED IN THE PAST.
5. THE TURMOIL IN THE LONDON MARKETS IS WORRYING. BUT THE SLIDE HAS
BEEN WORLD-WIDE, WITH ITS PRINCIPAL CAUSES, AND POTENTIAL REMEDIES,
LYING ON THIS SIDE OF THE ATLANTIC. THE UNDERLYING PROSPECTS FOR THE
RECOVERY OF THE UK ECONOMY HAVE NOT CHANGED. NOR OF COURSE SHOULD
OUR POLICY COURSE: WE MUST HOLD TO IT, AND BE SEEN TO DO SO.
6. I AM KEEPING CLOSELY IN TOUCH WITH THE SITUATION AND EXPECT TO BE
BACK IN LONDON LATE ON WEDNESDAY EVENING.

HENDERSON

LIMITED
HD/ERD
HD/ESID

COPIES TO:-

(PERSONAL FOR)	RS/NO 10 DOWNING ST.
CHIEF SECRETARY	
SIR D WASS	
MR W S RYRIE	} H M TREASURY
MR JENKINS	
MR MIDDLETON	
MR LANKESTER	
	NO 10 DOWNING ST.

SECRET