

Sad days for the 'Old Lady of Threadneedle Street'

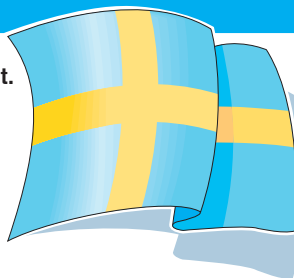
Sunday, September 13:

The Italian lira is devalued 7 per cent in the ERM. The Bundesbank agrees to cut interest rates on Monday. Hopes are raised in UK that pressure on Sterling will ease and interest rate rises can be avoided. Major and Lamont are determined to retain parity within the ERM. The dollar and pound strengthen overnight in anticipation of a German interest rate cut. **£ closes at DM2.82**

Monday 14:

Bundesbank cuts German interest rate by 0.25 per cent.

Chancellor Helmut Kohl is reported to have put pressure on Dr Helmut Schlesinger, president of the Bundesbank, for the cut. Disappointment in the UK at the scale of the cut – seen as insufficient to allow for a cut in UK rates – at least until after the French referendum on Maastricht. **£ closes at DM2.8144**



Tuesday 15:

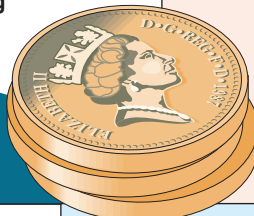
Swedish interest rate rises from 20 to 75 per cent amid fears of devaluation of the Krona – linked to the ECU. (On Wednesday it would rise to 500 per cent.) The pound falls below the permitted ERM floor in overnight trading in New York and Tokyo on reports that the Bundesbank wanted Sterling devalued with the lira.

The Bank of England and Treasury decide to support buy the pound on Wednesday and raise interest rates if this does not work. **£ closes at DM2.7842**

Wednesday 16:

£10 billion – nearly half of the UK's foreign currency reserves – spent in support buying of Sterling. Two interest rate rises within three hours fail to lift the pound off the floor of the ERM. Speculation about imminent devaluation lifts share prices.

7:30 pm: UK suspends membership of ERM and cancels second rise in the minimum lending rate. **£ closes at DM2.7784 before plunging**



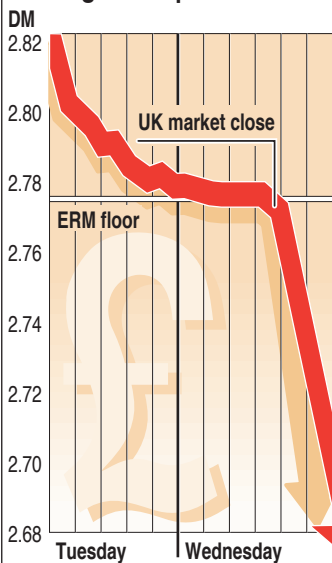
Thursday 17:

In overnight trading the pound sinks to DM2.62. A new Sterling range is established and the pound opens at 2.63DM – equivalent to a 10 per cent devaluation. There are calls for the resignation of Chancellor Norman Lamont.

The lira follows the pound out of the ERM. The Spanish peseta is devalued by 5 per cent. The E.C. Monetary Committee, meeting overnight, urges the return of the pound and the lira as soon as possible.

**UK interest rate drops back to 10 per cent
£ closes at a European all time low – DM2.6345**

Sterling's collapse



Friday 18:

The Bank of England publishes money supply figures. The IMF publishes latest growth forecast

Saturday 19:

G7 finance ministers assemble in Washington in advance of the IMF meeting to review the state of the world's economy

Sunday 20:

French vote in Maastricht referendum

