

MARKETS DOSS  
SECRET

Dawkins  
2. 4.80

NOTE FOR WEDNESDAY MEETING

Markets: 26 March 1980 to 1 April 1980

Money

The market continued short on each day of the week, the main unfavourable factors being the repayment of previous market advances and the unwinding of a previous purchase of Commercial bills by the Bank, together with a number of more minor technical factors. Net tax payments were a significant tightening factor on Friday, but in general, with the revenue season now drawing to a close, the Exchequer's net position has tended to favour the market. Extremely large to moderate help has been necessary on each day, taking the form of purchases of Treasury and Local Authority bills outright and of purchases of Treasury, Local Authority and Eligible Bank bills for resale both before and after the April make-up date. The Bank has also lent overnight at MLR every day, while additional relief for market pressures has been supplied by the postponement to 16 June of the recall of Special Deposits payable on 8 April.

Interbank rates rose fairly steadily over the week at all maturities, finishing with gains of up to 5/16% at the shorter end and of up to 7/16% at three months and over. The three month rate closed on Tuesday 3/8% up at 18 9/16%.

Rates this morning were slightly firmer.

Eurosterling rates have risen by up to 1/2% over the week, the three month rate finishing 3/8% up at 18 9/16%. The gap between domestic interbank and Eurosterling rates has narrowed slightly.

At the Treasury Bill tender on Friday the average rate of discount rose by 0.0767 to 16.2838.

Local Authority Bonds

Fixed rate one-year bonds were issued at par at 17 1/4%, unchanged from last week. Following the end of the financial year, total offerings dropped to 13.2 against maturities of 12.35.

Gilts

The market retained its air of cautious optimism ahead of the Budget speech. But initial reaction to the Government's monetary



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strategy was uncertain and, with investors holding off, prices fell on Thursday and Friday in this trading. After the weekend, however, when comment on the Budget was more favourable, the market was encouraged by hopes of an early end to the steel strike and prices rose by up to 7/8 at the long end on Monday. Yesterday morning the long tap, 14% Treasury 1996, was reactivated at 50 1/16 and supplies were exhausted at 50 5/16 (5/16 premium). This provoked further gains in longs, but these were later trimmed by profit-taking and the market became much quieter during the afternoon. Over the week as a whole, prices of shorts were little changed while longs recorded net gains of 1/2.

Equities

Prices improved in early trading on Wednesday, but the effect of the Budget speech was to reinforce fears about the economic outlook and, in particular, the prospects for industry. The FT index fell by 12.0 to 423.1 on Thursday with brewery, banking and oil shares particularly weak. The easier tone continued on Friday in very quiet trading. As with gilts, however, sentiment improved after the weekend and by the close yesterday the FT index had recovered to 432.4, an increase of 2.1 over the week.

New Issues

Activity remained subdued with only one new issue being added to the queue: an equity issue of 6 by Warrior Exploration Limited. The queue now totals 77.

(Init. ALC)

2 April 1980.



Official Stock Transactions and Gilt-Edged Yields

(£ million: sales + , purchases - )

1. Transactions (cash value)

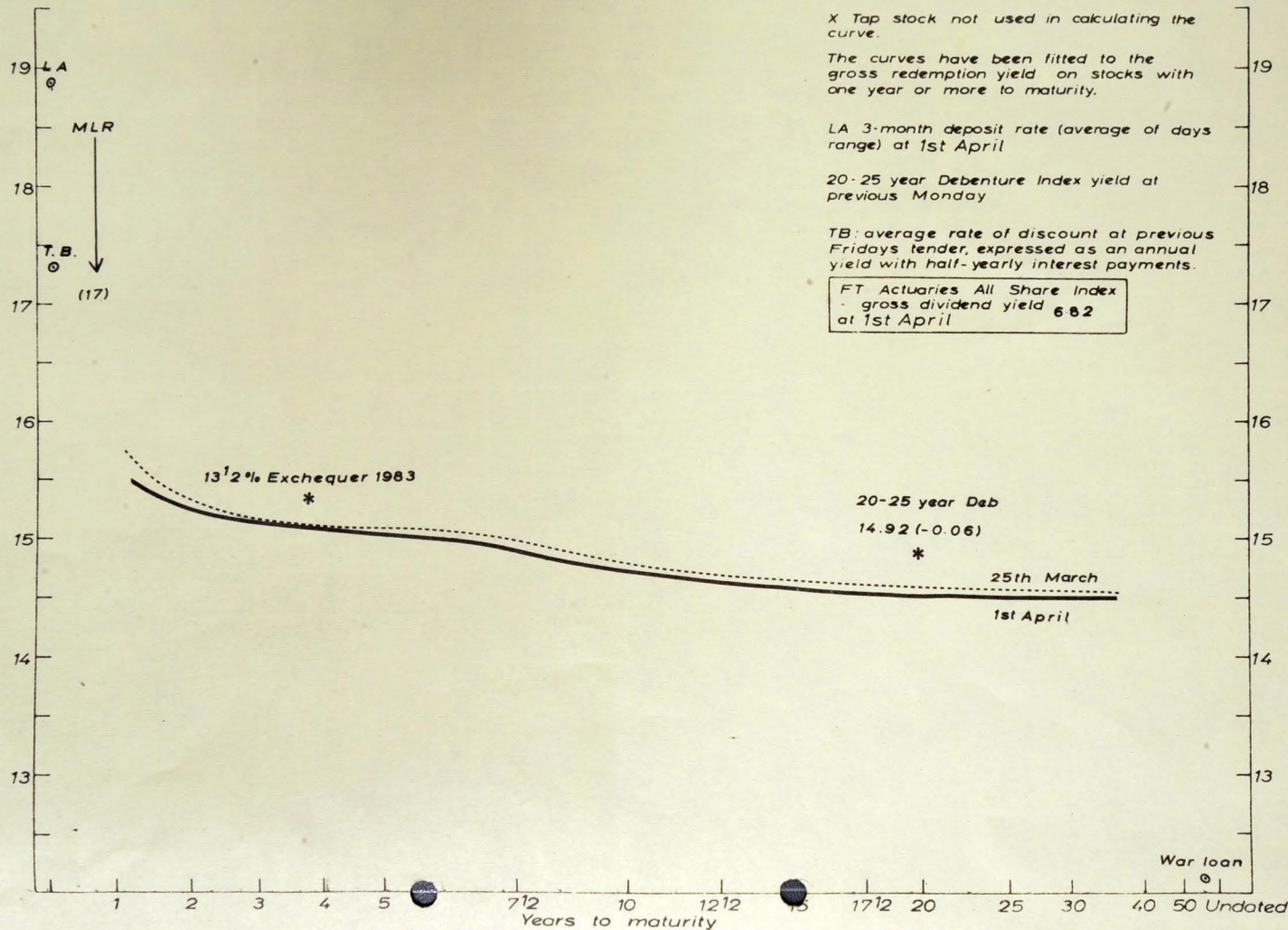
	26.3.80 <u>- 1.4.80</u>	Cal.Qtr and Fin. Year <u>to date</u>	21.2.80 <u>to date</u>
Issue Department			
Purchases/sales			
Next Maturities	-160	- 116	- 211
Other short-dated	<u>+ 12</u>	<u>+ 1</u>	<u>+ 87</u>
	-148	- 115	- 124
Mediums	+ 26	-	+ 51
Longs and undated	<u>+375</u>	<u>+ 351</u>	<u>+ 617</u>
Total Issue			
Department trans-			
actions	+253	+ 236	+ 544
CRND	-	-	- 1
Redemptions	<u>- 1</u>	<u>-</u>	<u>- 292</u>
	<u>+252</u>	<u>+ 236</u>	<u>+ 251</u>

2. Redemption Yields (tax ignored)

	<u>25 March</u>	<u>1 April</u>
11 1/2% Treasury 1981	15.50	15.59
8 1/4% Exchequer 1981	15.40	15.27
12% Treasury 1984	15.05	15.08
13 1/4% Exchequer 1987	14.79	14.61
10% Treasury 1992	14.49	14.40
12 1/4% Exchequer 1999	14.67	14.60
11 1/2% Treasury 2001/04	14.43	14.36
12% Exchequer 2013/17	14.01	14.00
3 1/2% War (Flat Yield)	12.33	12.15

Per cent Time Yield Curves of British Government Stocks

1st April 1980



X Tap stock not used in calculating the curve.

The curves have been fitted to the gross redemption yield on stocks with one year or more to maturity.

LA 3-month deposit rate (average of days range) at 1st April

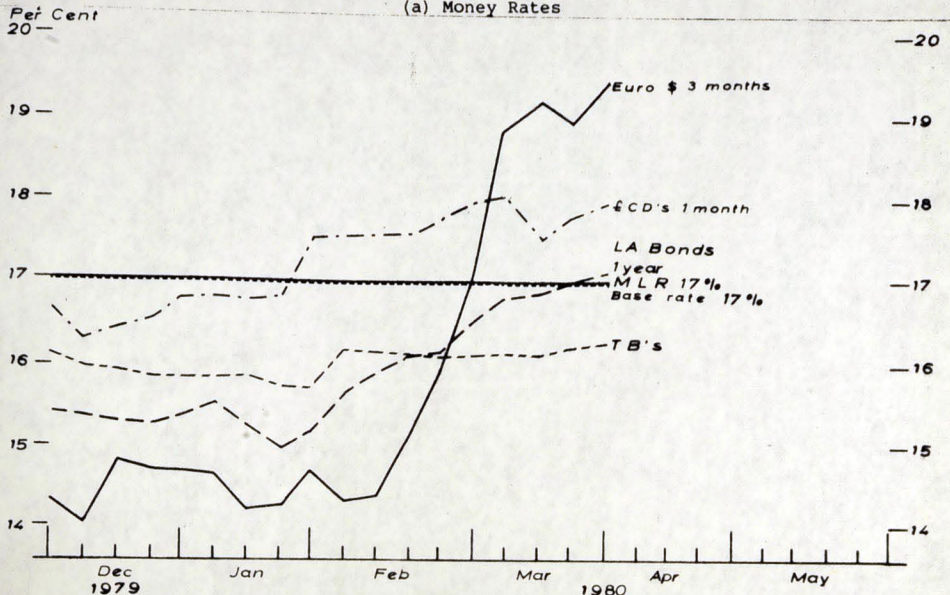
20-25 year Debenture Index yield at previous Monday

TB: average rate of discount at previous Fridays tender, expressed as an annual yield with half-yearly interest payments.



MONEY RATES AND EFFECTIVE EXCHANGE RATES

(a) Money Rates



Market Rates	1979	1979/80		1980						
	30th Mar.	High*	Low*	22nd Feb.	29th Feb.	7th Mar.	14th Mar.	21st Mar.	28th Mar.	1st Apr.
Treasury bills - Average allotment rate	11.44	16.28 (28 Mar. 80)	10.93 (16 Mar. 79)	16.07	16.12	16.12	16.11	16.21	16.28	
Local authority temporary money - 3 months	12.44	18.81 (28 Mar. 80)	11.56 (6 Apr. 79)	17.97	18.25	18.25	18.19	18.69	18.81	18.88
sterling CDs - 1 month	12.69	18.06 (7 Mar. 80)	11.31 (6 Apr. 79)	17.81	18.00	18.06	17.50	17.81	18.00	18.44
Inter-Bank rate 3 months	12.13	18.19 (28 Mar. 80)	11.44 (4 May 79)	17.81	18.19	18.06	17.69	17.94	18.19	18.56
Inter-Bank rate adjusted for forward cover - 3 months	10.75	17.88 (7 Mar. 80)	10.24 (19 Mar. 79)	16.38	16.58	17.88	16.70	16.98	17.21	16.91
Euro-dollar deposits - 3 months	10.66	19.50 (28 Mar. 80)	10.44 (6 Apr. 79)	15.91	16.97	18.88	19.19	19.00	19.50	20.06
local authority bonds - 1 year	11.10	17.12 (28 Mar. 80)	10.70 (6 Apr. 79)	16.15	16.50	16.80	16.85	17.00	17.12	17.25
<b>Other rates</b>										
MLR	13.00	17.00 (28 Mar. 80)	12.00 (8 Jun. 79)	17.00	17.00	17.00	17.00	17.00	17.00	17.00
Clearing banks' base rate	13.00	17.00 (28 Mar. 80)	12.00 (8 Jun. 79)	17.00	17.00	17.00	17.00	17.00	17.00	17.00

\*Where the highest or lowest rate has occurred more than once, the latest date is shown.

Financial Statistics Division,  
Public Sector Financing Group,  
31st March 1980.  
2nd April  
Miss Y. Butcher (4342)



## SECRET

£ millions

## NEW ISSUES OF 3 OR OVER

Date	Government, etc.	Other Fixed Interest (excl. Convertibles)	Convertible Stocks	Others
1980				
Current Week (2/4-3/4)				Howden Group Ltd. (rights) (2/4) 5
Week 2 (8/4-11/4)				
Week 3 (14/4-18/4)				The Rugby Portland Cement Company Ltd. (rights) (15/4) 14
				Linford Holdings Ltd. (rights) (17/4) 13
				The Martlet Services Group Ltd. (offer for sale) (18/4) 5
Week 4 (21/4-25/4)			North British Properties Ltd. (rights) (23/4) 3	Unitech Ltd. (rights) (22/4) 3
Week 5 (28/4-2/5)				Warrior Exploration Ltd. (rights) (30/4) 6
Week 6 (5/5-9/5)				Peerless Stampings Ltd. (offer for sale) (7/5) 4
Week 7 (12/5-16/5)			NSS Newsagents Ltd. (rights) (13/5) 4	Carless, Capel & Leonard Ltd. (rights) (15/5) 7
Forthcoming				Oriflame International S.A. (Offer for sale) (29/5) 3
				Norcross Ltd. (rights) (27/6) 10
		TOTAL	TOTAL 7	TOTAL 70

*Issues announced:	1977	118	815
	1978	60	959
	1979	162	946
	1980 to date	29	60

*Issues completed	1977	143	784
	1978	63	910
	1979	150	979
	1980 to date	26	24

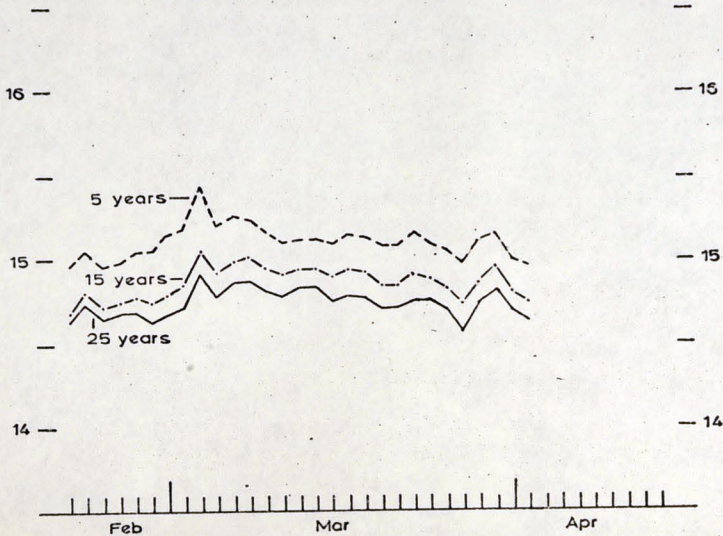
\*Includes issues of less than 3.

2 April 1980.



### Gilt-edged yields (F. T. high coupon)

Yields



### Interbank rates

