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SECRET

MARKETS

WEEK ENDED 23 APRIL 1980

Money

The money market remained short in the earlier part of the week, most notably before the weekend when tight conditions were chiefly due to net tax payments and to sales of the new long-dated stock, 13 1/2% Treasury 2004/08, which was well oversubscribed at issue on Thursday. The repayment of previous market advances by the Bank was an additional adverse factor. Help has been given by the Bank on each day, taking the form of purchases of Treasury and Local Authority Bills outright and of eligible bills for resale in late April and at the beginning of May. In addition moderate to exceptionally large lending was necessary on Thursday, Friday and Monday; on Tuesday and Wednesday conditions were easier as the net Exchequer position moved in the market's favour.

Interbank rates have tended to fall at all maturities throughout the week, finishing with reductions of up to 3/4% at one month and under, and of up to 3/16% at longer maturities. The three month rate finished 1/8% down at 17 3/8%.

Overnight and seven-day rates are firmer this morning: elsewhere a little easier.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.0632 to 16.1176.

Gilts

Prices initially drifted lower on Thursday from the higher levels reached in the previous day's after-hours trading. For the rest of the day the market was quietly firm awaiting details of the allotment of 13 1/2% Treasury 2004/08 which was oversubscribed at a price of 95 3/4 (3/4 premium); the money supply and trade figures for March had no impact. On Friday some early selling was seen and at one stage the new stock had fallen to 3/8 discount, but it later recovered to 1/4 premium as news of a further reduction in US prime rates from 19 3/4%

to 19 1/2% sustained a general market recovery. After the weekend, the firmer trend continued in all sections on Monday when the low-coupon tap, 3% Exchequer 1984, was exhausted. Tuesday saw considerable profit-taking, with falls at the long end of up to 7/8. Yesterday morning the market made renewed gains reflecting Wall Street's sharp overnight advances and further evidence of falling US interest rates; these gains were largely lost on the news from Saudi Arabia, but demand revived following the reduction in Chase Manhattan's prime rate to 19% and all sections closed with net increases of up to 1/4-3/8.

Over the week, yields on shorts were about 1/16% lower while those on mediums and longs were little changed.

This morning a little easier.

#### Equities

The market has been quiet and dull for most of the week. Yesterday saw initial gains following Wall Street's overnight performance but, with no follow-through, prices then drifted lower. Over the week the FT index fell by 7.9 to 435.2.

This morning quiet and steady.

#### Foreign Exchange

US interest rates and developments in Iran again dominated nervous and uneven exchange markets. The dollar ended weaker in all main centres, but official intervention was small. Sterling rose 0.9% in effective terms to 73.5 after 73.7. The dollar is weak again this morning; sterling has been hit by early selling from the Middle East.

#### Gold

Gold weakened in New York on Thursday, apparently on recession news. Even tension in the Near East did little to revive buying interest, and the price fell \$13 1/2 to \$506 1/2 in the period after \$494 1/2 at the morning fix on Tuesday.

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