

## NOTE FOR WEDNESDAY MEETING

MARKETS: 23 APRIL 1980 TO 29 APRIL 1980

Money

Conditions in the money market were relatively easy on Wednesday owing to the delay of expected tax payments arising from clearing difficulties caused by the bank messengers' strike. These payments were finally cleared on Thursday and Friday, resulting in substantial revenue swings against the market and severe shortages on both days, which in part were carried through to this week by the Bank's lending over the weekend. Help was given by the Bank on every day, taking the form of purchases of Treasury and Local Authority bills outright and of Local Authority and Eligible bills for resale on 12 and 14 May. Large to exceptionally large lending overnight at MLR has also been necessary on every day but Wednesday.

Interbank rates have tended to rise at one month and under throughout the week, finishing with increases of up to 11/16% - though about half of this increase is attributable to the abnormally low level reached on Wednesday. Longer rates were firm on Friday and Monday reflecting adverse reactions to the Iranian situation, but have now fallen back. The three month rate finished 1/8% down at 17 1/4%.

Rates this morning a little easier at six months and over: otherwise unchanged.

Eurosterling rates fell before the weekend at three months and under but have since firmed; longer rates were firm until Tuesday but then weakened by 1/8%. The three month rate finished 1/4% down, in parity with the domestic £ interbank rate at 17 1/4%.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.0547 to 16.0629.



### Local Authority Bonds

The coupon on fixed rate one-year bonds fell by a further 1/8% to 15 7/8%. It has now fallen by 1 3/8% since its peak on 2 April. Issues totalled 15.25 against maturities of 14.75.

### Gilts

It has been a mixed week, with underlying firmness, encouraged by further falls in US interest rates, interrupted by nervousness associated first with Saudi Arabia's request for the withdrawal of our ambassador and then, more dramatically, by the developments in Iran.

On Wednesday the market was little changed on the day, with early gains lost on the news from Saudi Arabia and then recovered as Chase Manhattan lowered its prime rate to 19%. On Thursday, but more sharply on Friday, prices fell in response to the tensions in Iran: over the two days shorts declined by about 1 1/8 and longs by up to 1 5/8.

After the weekend, however, the market rebounded sharply helped by the strength of sterling and, on Monday afternoon, by the announcement that two US banks had cut prime rate to 18 1/2%. Although the gains were trimmed slightly by the close, rises of 1 or more were seen in all sections. The market continued to move ahead strongly yesterday amid hopes of lower domestic interest rates and by the close shorts had gained up to 5/8 more and longs a further 1.

Over the week as a whole prices of shorts and longs both rose by up to 5/8.

### Equities

Equities opened higher on Wednesday after Wall Street's overnight performance, but thereafter failed to hold the better levels. On Friday morning prices were marked down sharply on the Iranian situation and, after a brief rally, drifted lower for the rest of the day. As with gilts, however, the market was firmer after the weekend with oil and property shares in particular demand on Monday. Further gains were seen yesterday and the FT index closed at 436.7, an increase of 2.4 over the week.



### New Issues

Three new issues were added to the queue: the proposed rights issue of 100 by Land Securities Investment Trust Ltd is the largest since Midland Bank's issue of similar size in February 1978. Two offers for sale of redeemable preference shares of 3 and 7 by water companies were also announced, bringing the total for the queue to 163.

(Init.EAJG)

30 April 1980

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales + , purchases - )

1. Transactions (cash value)

|                   | 23.4.80<br><u>-29.4.80</u> | Cal.Qtr<br>and Fin.<br>Year<br><u>to date</u> | 21.2.80<br><u>to date</u> |
|-------------------|----------------------------|-----------------------------------------------|---------------------------|
| Issue Department  |                            |                                               |                           |
| Purchases/sales   |                            |                                               |                           |
| Next Maturities   | - 6                        | - 430                                         | - 525                     |
| Other short-dated | + 46                       | + 915                                         | + 1,002                   |
|                   | <u>+ 40</u>                | <u>+ 485</u>                                  | <u>+ 477</u>              |
| Mediums           | + 4                        | - 20                                          | + 31                      |
| Longs and undated | + 19                       | + 1,030                                       | + 1,295                   |
| Total Issue       |                            |                                               |                           |
| Department trans- |                            |                                               |                           |
| actions           | + 63                       | + 1,495                                       | + 1,803                   |
| CRND              | - 2                        | - 9                                           | - 11                      |
| Redemptions       | - 7                        | - 8                                           | - 299                     |
|                   | <u>+ 54</u>                | <u>+ 1,478</u>                                | <u>+ 1,493</u>            |

2. Redemption Yields (tax ignored)

|                          | <u>22 April</u> | <u>29 April</u> |
|--------------------------|-----------------|-----------------|
| 11 1/2% Treasury 1981    | 15.13           | 14.59           |
| 8 1/4% Exchequer 1981    | 14.96           | 14.81           |
| 12% Treasury 1984        | 14.41           | 14.15           |
| 13 1/4% Exchequer 1987   | 14.22           | 14.07           |
| 10% Treasury 1992        | 14.04           | 14.01           |
| 12 1/4% Exchequer 1999   | 14.26           | 14.21           |
| 11 1/2% Treasury 2001/04 | 14.03           | 14.00           |
| 12% Exchequer 2013/17    | 13.62           | 13.62           |
| 3 1/2% War (Flat Yield)  | 11.58           | 11.32*          |

\*Went ex-dividend during week.



SECRET

£ millions

NEW ISSUES OF 3 OR OVER

| Date                  | Government, etc. | Other Fixed Interest<br>(excl. Convertibles)                                                                                          | Convertible Stocks                    | Others                                                                                          |
|-----------------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------|
| 1980                  |                  |                                                                                                                                       |                                       |                                                                                                 |
| Week 1<br>(30/4-2/5)  |                  |                                                                                                                                       |                                       | Warrior Exploration Ltd. (offer for sale) (30/4) 6                                              |
| Week 2<br>(6/5-9/5)   |                  |                                                                                                                                       |                                       | Peerless Stampings Ltd. (offer for sale) (7/5) 4                                                |
| Week 3<br>(12/5-16/5) |                  |                                                                                                                                       | NSS Newsagents Ltd. (rights) (13/5) 4 | Carless, Capel & Leonard Ltd. (rights) (15/5) 7                                                 |
| Week 4<br>(19/5-23/5) |                  |                                                                                                                                       |                                       |                                                                                                 |
| Week 5<br>(27/5-30/5) |                  |                                                                                                                                       |                                       | Mallison-Denny Ltd. (rights) (28/5) 10<br>Oriflame International S.A. (Offer for sale) (29/5) 3 |
| Week 6<br>(2/6-6/6)   |                  |                                                                                                                                       |                                       | <u>Land Securities Investment Trust Ltd. (rights) (5/6) 100</u>                                 |
| Week 7<br>(9/6-13/6)  |                  |                                                                                                                                       |                                       | Ashe Chemical Co. Ltd. (Offer for sale) (12/6) 9                                                |
| Forthcoming           |                  | <u>South Staffordshire Waterworks Company (tender) (19/6) 7</u><br><u>Sunderland and South Shields Water Company (tender) (1/7) 3</u> |                                       | Norcross Ltd. (rights) (27/6) 10                                                                |
|                       |                  | TOTAL                                                                                                                                 | 10 TOTAL                              | TOTAL 149                                                                                       |

|                    |              |     |     |
|--------------------|--------------|-----|-----|
| *Issues announced: | 1977         | 118 | 815 |
|                    | 1978         | 60  | 959 |
|                    | 1979         | 162 | 946 |
|                    | 1980 to date | 29  | 96  |

|                   |              |     |     |
|-------------------|--------------|-----|-----|
| *Issues completed | 1977         | 143 | 784 |
|                   | 1978         | 63  | 910 |
|                   | 1979         | 150 | 979 |
|                   | 1980 to date | 29  | 68  |

\*Includes issues of less than 3.