

NOTE FOR WEDNESDAY MEETING

MARKETS: 30 APRIL 1980 TO 6 MAY 1980

Money

Conditions in the money market remained extremely tight throughout the week, chiefly due to the unwinding on Wednesday, Thursday and Tuesday of previous purchases of commercial bills by the Bank. The repayment of previous market advances was an additional adverse factor. Against this, the market was helped by a generally favourable net Exchequer position.

Assistance was given by the Bank on every day, taking the form of purchases of Treasury and Local Authority bills outright and of purchases of Local Authority and eligible bills for resale on various dates before the May makeup day. Large to extremely large lending overnight at MLR was also necessary every day.

Interbank rates at one month and under tended to remain steady throughout the week, finishing with gains of up to $3/16\%$, while longer rates fell in response to growing anticipation of a cut in MLR. The three month rate finished $3/16\%$ down, at $17\ 1/16\%$.

Rates this morning are generally easier.

Eurosterling rates followed the same pattern, the one month rate finishing the week $1/8\%$ up at $17\ 1/2\%$ while longer rates fell despite firmness at all maturities, on Friday. The three month rate finished $1/4\%$ down at $17\ 1/8\%$.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.0524 to 16.0105.

Local Authority Bonds

The coupon on fixed rate one-year bonds dropped by a further $3/4\%$ to

15 1/8%, the lowest level since mid-January. Issues totalled 17.65 against maturities of 16.7.

Gilts

The underlying tone was very firm for most of the week, reflecting growing hopes of an early cut in MLR and continuing evidence of falling US rates. Against a background of strong demand - interrupted only briefly on Thursday following a rise in interest rates in Germany - a new medium-dated issue, 13 1/2% Exchequer Stock 1992, was announced on Friday afternoon. This failed to dampen enthusiasm which had led to gains on the day of 7/8 at the long end by the official close.

Yesterday the firm trend continued on the news that some US prime rates had fallen to as low as 17 1/2%. The market rose by up to a further point, though the gains were trimmed slightly by profit-taking by the close.

Over the week as a whole shorts rose by up to 1 5/8 and longs by about 2 1/4.

Equities

Prior to the weekend the market was generally quietly firm with continuing demand for oil shares the main feature. Yesterday the market opened better following the further decline in US interest rates, but thereafter prices tended to drift lower and oil shares encountered some profit-taking. Over the week the FT index rose by 8.2 to 444.9.

New Issues

No new issues were added to the queue which now totals 157.

(init EAJG)

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales + , purchases -)

1. Transactions (cash value)

	30.4.80 <u>- 6.5.80</u>	Cal.Qtr and Fin. Year <u>to date</u>	21.2.80 <u>to date</u>
Issue Department			
Purchases/sales			
Next Maturities	- 38	- 468	- 563
Other short-dated	<u>+ 119</u>	<u>+ 1,034</u>	<u>+ 1,121</u>
	+ 81	+ 566	+ 558
Mediums	-	- 20	+ 31
Longs and undated	<u>+ 3</u>	<u>+ 1,033</u>	<u>+ 1,298</u>
Total Issue			
Department trans-			
actions	+ 84	+ 1,579	+ 1,887
CRND	-	- 10	- 11
Redemptions	-	- 8	- 299
	<u>+</u> 84	<u>+</u> 1,561	<u>+</u> 1,577

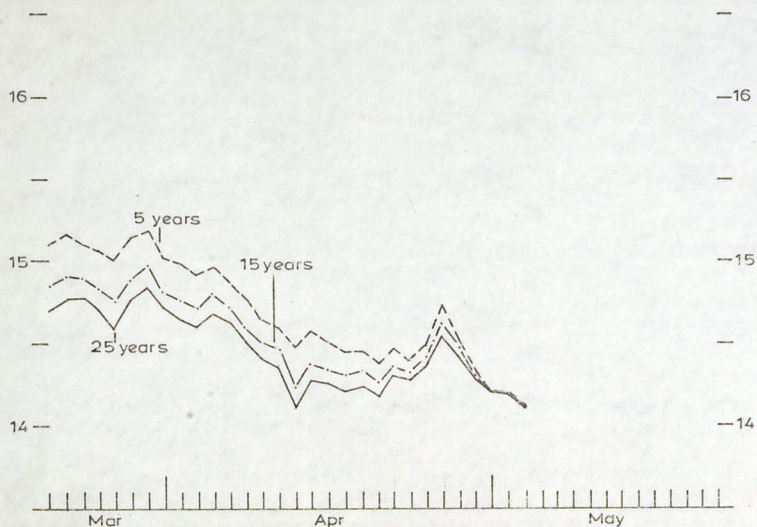
2. Redemption Yields (tax ignored)

	<u>29 April</u>	<u>6 May</u>
11 1/2% Treasury 1981	14.59	14.13
8 1/4% Exchequer 1981	14.81	13.53*
12% Treasury 1984	14.15	13.63
13 1/4% Exchequer 1987	14.07	13.81
10% Treasury 1992	14.01	13.71
12 1/4% Exchequer 1999	14.21	13.87
11 1/2% Treasury 2001/04	14.00	13.68
12% Exchequer 2013/17	13.62	13.23*
3 1/2% War (Flat Yield)	11.32	10.78

*Went ex-dividend during week.

Gilt edged yields (F.T high coupon)

Yields



Interbank rates

