

CCO
Markets
Doss

FOR BASLE

Governor

GR 4/15

FINANCIAL MARKETS SUPPLEMENT AS AT 4.00 PM ON FRIDAY 9 MAY 1980

TREASURY BILL TENDER

Offered: £300,000,000
Average Tender Rate: 16.1475
Lowest Price Accepted: £95.950
Minimum Lending Rate: 17%

PARALLEL MARKET RATES

Inter-bank - 7 days: $17\frac{1}{8}$ - $17\frac{3}{8}$ 1 month: 17 $\frac{3}{16}$ -17 $\frac{7}{16}$
3 months: 16 $\frac{15}{16}$ - 17 $\frac{3}{16}$

Local Authority - 7 days: $17\frac{1}{8}$ - $17\frac{3}{8}$ 1 month: $17\frac{1}{2}$ - $17\frac{3}{4}$ 3 months: 17- $17\frac{1}{2}$

Sterling CD's - 1 month: $17\frac{1}{4}$ - $17\frac{3}{8}$ 3 months: $16\frac{1}{8}$ -17

THE GILT-EDGED MARKET

The market, having opened quietly steady remained dull throughout the day.

Official Stock Transactions: ENIL

THE EQUITY MARKET

The market opened on a subdued note, with interest centred on the Oil Sector. Investment remained at a low level, the Chancellor's recent statement on UK interest rates acting as a deterrent.

F.T.Index: (at 3.00 pm) 434.6 (down 2.1)

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DOMESTIC MARKETS: 14 APRIL - 8 MAY

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MONEY MARKETS

Money remained short throughout the period and the Bank assisted the market by purchasing Treasury Bills, local authority bills and eligible bank bills, some of these on a resale basis; additionally, the Bank lent at MLR overnight.

It was announced on 8 May that the recall of Special Deposits amounting to 1% of eligible liabilities payable on 14 May had been cancelled.

The gilt-edged sale and repurchase facility with the clearers (totalling some £500 million) which was due to be unwound originally on 14 April was extended twice: to 19 May and then to 17 June. Additionally, on 14 April two further facilities were arranged with the clearers, one for some £500 million due 12 May and the other for some £175 million due 14 May. On the 8 May it was announced that these facilities would be extended to 12 and 16 June, respectively.

INTEREST RATES

MLR and the clearing banks' base rates have remained at 17%.

	14.4.80	8.5.80
Interbank		
7 days	16 3/4 - 17 1/8	17 3/8 - 17 3/4
1 month	17 1/4 - 17 7/16	17 3/8 - 17 5/8
3 months	17 3/16 - 17 1/2	16 7/8 - 17 1/16
6 months	16 3/8 - 16 3/4	15 3/4 - 16
Local Authority		
7 days	18 - 18 1/8	17 5/8 - 17 7/8
1 month	17 5/8 - 17 7/8	17 5/8 - 17 3/4
3 months	17 5/8 - 17 3/4	17
6 months	16 5/8 - 17	15 3/4 - 16

Sterling CDs

1 month	17 1/8 - 17 1/4	17 1/4 - 17 9/16
3 months	17 1/16 - 17 5/16	16 11/16 - 17
6 months	16 1/4 - 16 3/8	15 7/16 - 15 3/4

GILT EDGED MARKET

The market has generally remained firm with falling US interest rates and hopes of an early reduction in MLR tending to exert more influence than international political problems. Two new issues by tender were made: 13 1/2% Treasury Stock 2004/08 (at a minimum price of £95.00) on the 17 April was oversubscribed at a price of £95 3/4. 13 1/2% Exchequer Stock 1992 was undersubscribed on the 8 May and all tenders were allotted at the minimum price of £96.00 (£20% paid).

YIELDS BASED ON OFFICIAL CLOSING PRICES

	3 1/2% Treasury 1977/80	8 1/4% Exchequer 1981	12% Treasury 1983	13% Treasury 1990	15 1/2% Treasury 1998
15 April	16.27	15.04	14.76	14.09	14.58
17 April	16.23	14.91	14.57	14.04	14.53
22 April	16.10	14.90	14.74	14.09	14.60
24 April	16.05	15.03	14.72	14.15	14.66
29 April	15.96	14.81	14.50	14.09	14.57
1 May	15.84	14.56	14.36	13.95	14.51
6 May	15.80	13.53	14.06	13.77	14.28
8 May	15.73	13.98	14.46	14.02	14.49

14 - 18 APRIL

The market was generally firm, amid optimism about the prospects for short-term interest rates. Official supplies of the short tap, 13 1/2% Exchequer Stock 1983, were exhausted early in the week and a new long-dated stock, 13 1/2% Treasury Stock 2004/08, was oversubscribed on Thursday at a price of 95 3/4 (3/4 premium).

21 - 25 APRIL

The market opened firm and official supplies of the low coupon short tap, 3% Exchequer Stock 1984, were soon exhausted. Although the underlying tone remained firm, encouraged by further evidence of falling US interest rates, the market was affected in the later part of the week by developments in Iran and prices fell sharply on Friday following news of the abortive attempt to rescue the US hostages.

28 APRIL - 2 MAY

The market was firm virtually throughout the week with falling interest rates in the US exerting more influence than international political problems. Apart from a minor setback in the middle of the week after the news of the Iranian Embassy siege, prices rose generally throughout the period and on Friday a new issue was announced of £1 billion 13 1/2% Exchequer 1992, partly-paid, for subscription by tender at a minimum price of £96.

6 - 8 MAY

The market began the week firmly, helped by the continuing decline in US interest rates. On Wednesday, however, there was some profit-taking, reversing the previous day's gains; and the market eased further on Thursday following the Chancellor's remarks on interest rates. Tenders for the new medium tap, 13 1/2% Exchequer 1992, were small, reflecting the easing of the market in mid-week.

OFFICIAL STOCK TRANSACTIONS

(Sales +/Purchases -)

	14 April - 8 May	1980/81 Financial Year to Date
ISSUE DEPARTMENT		
Next maturities	- 171.1	- 546.9
Other Shorts	+ 341.5	+ 1,027.7
Medium-dated	- 30.3	- 9.3
Longs and undated	+ 206.8	+ 1,033.0
Total Issue Department transactions	+ 346.9	+ 1,504.5
CRND	- 8.1	- 12.7
Cash Redemptions	- 7.5	- 8.4
	+ 331.3	+ 1,483.4

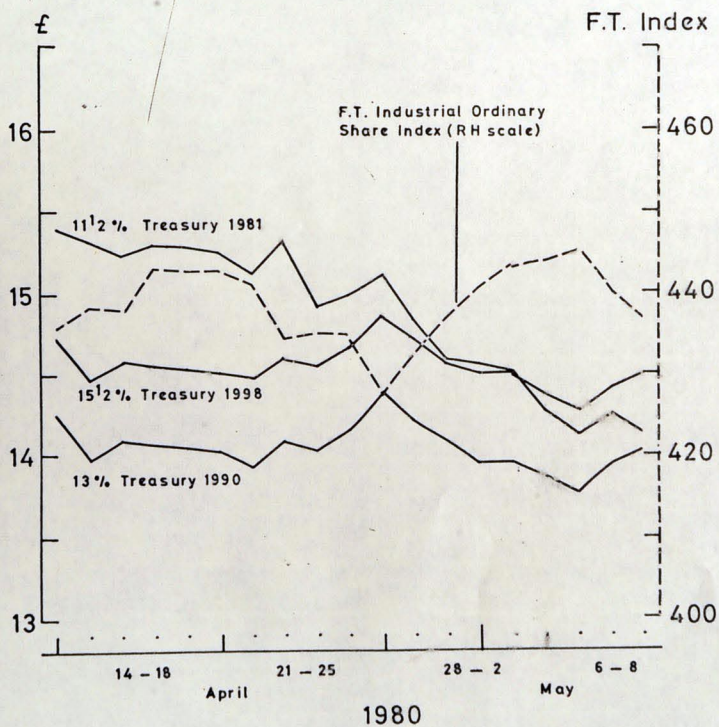
EQUITY MARKET

The market opened the period quiet, though generally firm throughout. Prices then, however, eased on the increasing tension in the Middle East, with losses in all sections apart from golds and mining finance. Cuts in US prime rate and expectations of an early fall in interest rates at home then brought a firmer tone: the market was buoyant, although the level of activity was moderately low. During the last week of the period, prices eased in quiet trading conditions and lack of any investment interest, with sentiment adversely affected by the Chancellor's statement that there would be no immediate fall in UK interest rates.

The FT 30 share index closed at 436.7 on 8 May compared with 431.8 on 10 April.

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Gross Redemption Yields on Gilt-edged Stocks
F.T. Share Index



SECRET

£ mns.

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Gilt sales (+)/Purchases (-)Actual and Required 1980/81
(as at close of business 8 May 1980)

<u>Banking Months</u>	<u>Total Net Sales</u>	<u>(of which non-bank private sector)</u>	<u>Net non-bank private sector sales required to meet £M3 target*</u>
Feb.	+ 296	(+ 428)	
March	+ 2	(+ 172)	+ 455
April:	+ 1,116	(+ 801)	+ 455
May: to date	+ 388	(+ 302) ⁽¹⁾	+ 455
Redemption of stock held by market	-208 ⁽²⁾		
Instalments on part paid stocks	+300 ⁽³⁾	(+ 139) ⁽¹⁾	
June: redemption of stock held by market	-342 ⁽⁴⁾		+ 455
instalments on part paid stocks	+476 ⁽⁵⁾	(+ 141) ⁽¹⁾	
July: Instalment on part paid stocks	+ 28 ⁽⁶⁾	(+ 28) ⁽¹⁾	+ 455
Aug.			+ 455
Sept.			+ 455
Oct.			+ 455
Nov: redemption of stock held by market	- 603 ⁽⁷⁾	(- 429) ⁽¹⁾	+ 450
Dec.			+ 450
Jan: redemption of stock held by market	- 423 ⁽⁸⁾	(- 364) ⁽¹⁾	+ 450
Feb: redemption of stock held by market	- 388 ⁽⁹⁾	(- 387) ⁽¹⁾	+ 450
	+ 346	(+ 403)	+ 5,440

(1) Broad estimate.

(2) Redemption of 9 1/2% Treasury Stock 1980.

(3) Instalment on 13 1/2% Treasury Stock 2004/08

(4) 5 1/4% Funding 1978/80 (-131) and 3 1/2% Treasury 1977/80 (-211)

(5) Instalments on 13 1/2% Treasury Stock 2004/08 (+ 457) and 13 1/2% Exchequer Stock 1992 (+ 19).

(6) 13 1/2% Exchequer Stock 1992.

(7) 13% Exchequer 1980

(8) 11 1/2% Treasury 1981

(9) 3 1/2% Treasury 1979/81

* Figures are monthly averages based on the forecast of sales to non-bank private sector contained in the Financial Statement and Budget Report forecast.

Chief Cashier's Office,
Markets Post (4564)
9 May 1980.