

NOTE FOR WEDNESDAY MEETING

MARKETS: 7 MAY 1980 TO 13 MAY 1980

Money

Tight conditions continued to prevail in the money market throughout the week, chiefly due to the unwinding on Wednesday, Thursday and Monday of previous purchases of local authority and commercial bills by the Bank. The repayment of previous market advances was an additional extremely large adverse factor on Wednesday.

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 bank bills for resale on various dates before the May make-up day. The Bank also lent moderate amounts overnight at MLR every day except Friday. In addition, it was announced on Thursday that the two gilt purchase and resale agreements with the clearers, which were due to be unwound on 12 and 19 May, would be extended for a further month, and that the recall of Special Deposits due on 14 May was cancelled.

Interbank rates at one month and under tended downwards over the week, finishing with reductions of up to 3/8%. Longer rates were generally firmer, with gains up to 3/8% reflecting receding hopes of an early cut in MLR. The three month rate finished 5/16% up at 17 1/16%.

Rates this morning slightly easier at all maturities.

Eurosterling rates followed the domestic interbank pattern, one month rates falling by 1/4% over the week while rates at longer maturities rose by up to 5/8%. The three month rate finished 3/8% up in parity with the interbank rate at 17 1/16%.

At the Treasury Bill tender on Friday the average rate of discount rose by 0.137 to 16.1475.



### Local authority bonds

The coupon on fixed rate one-year bonds rose by  $1/4\%$  to  $15\ 3/8\%$ , the first increase for six weeks. Issues totalled 15.8 against maturities of 18.8.

### Gilts

The market suffered a setback in the first part of the week as hopes of an early cut in MLR were dispelled, but a firmer trend emerged after the weekend.

The week started on an easier note with some profit-taking. The downward tendency was given further impetus by the publication on Wednesday afternoon of the April banking figures which showed a large increase in bank lending. Further decline was seen the next morning after the Chancellor's warning against a premature cut in MLR and tenders for  $13\frac{1}{2}\%$  Exchequer Stock 1992 were small. The announcement about Special Deposits and the extension of the purchase and resale agreements with the clearers had little discernible impact on prices which closed up to  $1/2 - 5/8$  lower on the day. After a quiet day on Friday, a firmer trend emerged after the weekend, encouraged by further reductions in US prime rate to  $16\ 1/2\%$ . This continued yesterday and quite considerable demand developed for the new medium tap: sales were made at  $20\ 1/16$  ( $1/16$  premium) rising to  $20\ 3/16$ . Longs closed the day with rises of up to  $7/8$ .

Over the week as a whole, prices of shorts fell by up to  $5/8$  and longs by about  $1/8$ .

### Equities

Prices drifted lower for the first four days of the week with activity mainly confined to the oil sector. Yesterday saw some revival of demand but over the week as a whole the FT index fell by 8.0 to 436.9.

### New issues

No new issues were added to the queue which now totals 149.

/Init EAJG7



Official Stock Transactions and Gilt-Edged Yields

(£ million: sales + , purchases - )

1. Transactions (cash value)

	7.5.80 <u>-13.5.80</u>	Cal.Qtr and Fin. Year <u>to date</u>	21.2.80 <u>to date</u>
Issue Department			
Purchases/sales	- 91	- 559	- 654
Next Maturities	+ 11	+ 1,045	+ 1,132
Other short-dated	- 80	+ 486	+ 478
Mediums	+ 88	+ 68	+ 119
Longs and undated	-	+ 1,033	+ 1,298
Total Issue			
Department trans- actions	+ 8	+ 1,587	+ 1,895
CRND	+ 25	+ 16	+ 14
Redemptions	-	- 8	- 299
	<u>+</u> 33	<u>+</u> 1,595	<u>+</u> 1,610

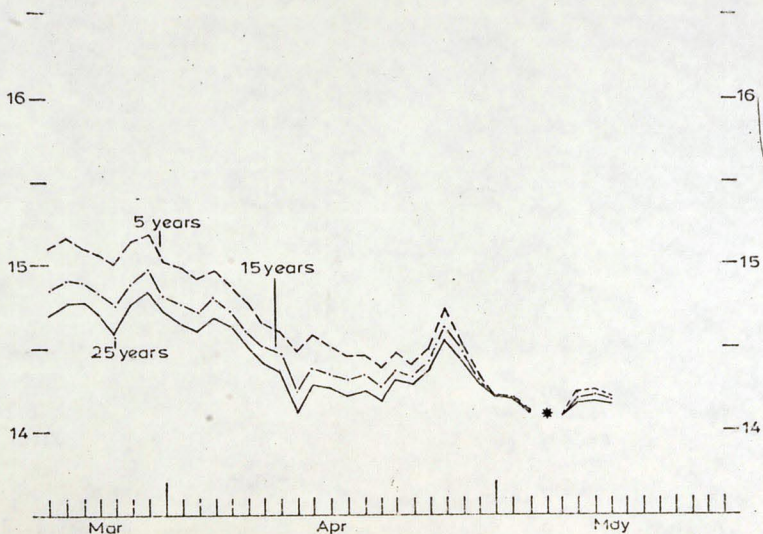
2. Redemption Yields (tax ignored)

	<u>6 May</u>	<u>13 May</u>
11 1/2% Treasury 1981	14.13	14.21
8 1/4% Exchequer 1981	13.53	13.75
12% Treasury 1984	13.63	13.78
13 1/4% Exchequer 1987	13.81	13.87
10% Treasury 1992	13.71	13.80
12 1/4% Exchequer 1999	13.87	13.93
11 1/2% Treasury 2001/04	13.68	13.74
12% Exchequer 2013/17	13.23	13.28
3 1/2% War (Flat Yield)	10.78	10.59



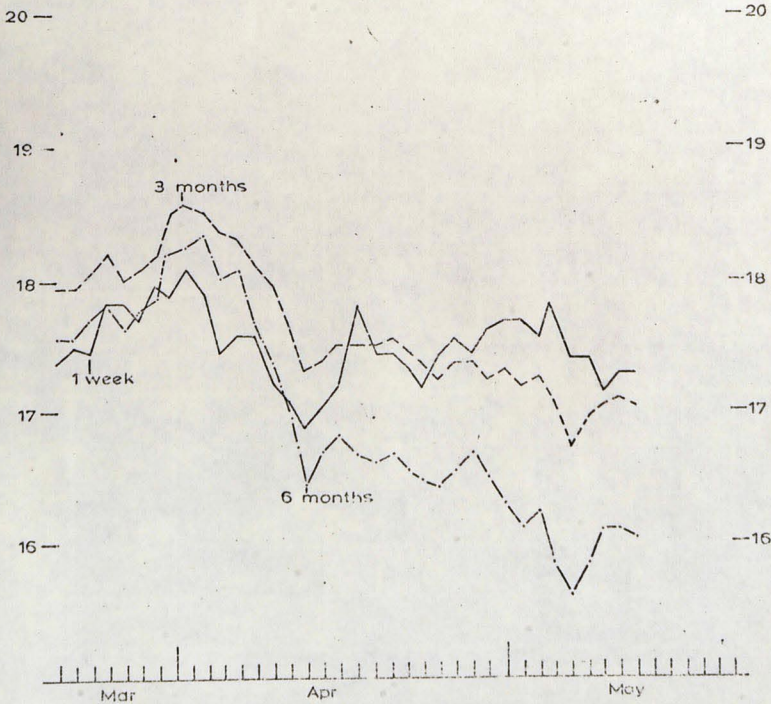
# Gilt edged yields ( F.T high coupon )

Yields



\* Not available

Interbank rates





## NEW ISSUES OF 3 OR OVER

<u>Date</u> 1980	<u>Government, etc.</u>	<u>Other Fixed Interest</u> (excl. Convertibles)	<u>Convertible Stocks</u>	<u>Others</u>
Current Week (14/5-16/5)				
Week 2 (19/5-23/5)				
Week 3 (27/5-30/5)				Mallison-Denny Ltd. (rights) (28/5) 10
Week 4 (2/6-6/6)				Land Securities Investment Trust Ltd. (rights) (5/6) 100
Week 5 (9/6-13/6)				Carless, Capel & Leonard Ltd. (rights) (10/6) 7
				Oriflame International S.A. (Offer for sale) (11/6) 3
				Ashe Chemical Co. Ltd. (Offer for sale) (12/6) 9
Week 6 (16/6-20/6)		South Staffordshire Waterworks Company (tender) (19/6) 7		
Week 7 (23/6-27/6)				Norcross Ltd. (rights) (27/6) 10
Forthcoming		Sunderland and South Shields Water Company (tender) (1/7) 3		
		TOTAL 10	TOTAL	TOTAL 139
*Issues announced:	1977	118		815
	1978	60		959
	1979	162		946
	1980 to date	29		101
*Issues completed	1977	143		784
	1978	63		910
	1979	150		979
	1980 to date	34		85

\*Includes issues of less than 3.