

Gift Edge  
MAKE LOSS

SECRET

25. 6.80

NOTE FOR WEDNESDAY MEETING

MARKETS: 18 JUNE 1980 TO 24 JUNE 1980

MONEY

Conditions in the money market continued tight this week on every day but Wednesday, which was makeup day. The repayment on Thursday of Tuesday's advances by the Bank was the major unfavourable factor, but the market was also affected by substantial excesses of Government revenue over disbursements on Thursday and Monday.

Assistance by the Bank was necessary on every day but Wednesday, taking the form of purchases of Treasury and Local Authority bills outright and of purchases of Local Authority and eligible bills for resale at future dates. In addition lending overnight at MLR took place on each day of assistance, in amounts ranging from small to exceptionally large.

Short interbank rates rose sharply before the weekend in response to hardening conditions, but have since eased back. At three months and over the tendency was firm for most of the week, though some easing was evident on Tuesday. The three month rate finished  $3/8\%$  higher at  $16\ 7/8\%$ .

Rates this morning generally firmer.

Euro-sterling rates showed a generally firmer tendency which was most marked at shorter maturities. The three month rate ended the week  $1/2\%$  up at  $17\ 1/8\%$ .

At the Treasury Bill tender on Friday the average rate of discount fell by 0.1002 to 15.7338.

LOCAL AUTHORITY BONDS

The coupon on fixed rate one-year bonds rose by  $1/4\%$  to  $14\ 3/8\%$ . Issues totalled £16.75 mn (about the same as last week) against maturities of £14.75 mn.



## GILTS

The market opened firm and reacted well on Friday afternoon to the announcement of two new issues. But it weakened yesterday ahead of today's tenders.

The market continued firm on Wednesday and closed with net gains of about 7/8 in longs despite some profit-taking in the afternoon. Much of these gains was lost on Thursday, however, as profit-taking intensified; some further selling took place in the afternoon following publication of the May money supply figures. The market was restrained on Friday but improved in after-hours trading following the announcement of two new tap stocks: a further £600 mn of 12 1/4% Exchequer 1985 and £1,000 mn of 13% Treasury 2000. After the weekend the market opened at Friday evening's improved levels and fluctuated narrowly throughout Monday to close little changed. But yesterday saw some selling ahead of today's new issues and by the close longs had lost up to 7/8 with smaller losses in shorts.

Over the week as a whole prices of shorts rose slightly while longs fell by up to 1/2.

During yesterday morning it was announced that Wedd and Owen, one of the smaller gilt-edged jobbing firms, had ceased trading.

## EQUITIES

The market remained generally firm prior to the weekend though subject to bouts of profit-taking, particularly on Thursday. After an uneasy day on Monday following the latest CBI survey, the market suffered its first major setback for three weeks yesterday as the market reacted badly - more so than the gilts sector - to the closure of Wedd and Owen. Gloomy economic news and recent rights issues (including yesterday's announcement by Ferranti of a £21 mn issue) further depressed sentiment and the FT index closed 7.1 lower at 462.7, making a fall of 6.3 over the week (the first such decline for a month).



NEW ISSUES

Four new rights issues were added to the queue: £4 mn for Charterhall Ltd (investment holding company of a group involved in oil, natural gas and mining); £25 mn for S & W Berisford Ltd (importers and merchants); £4 mn for McKay Securities Ltd (property investment and development); and £10 mn for Norcros Ltd (industrial holding company), the return of an issue previously cancelled. The queue now totals £112 mn.

(Init EAJG)

25 June 1980



## SECRET

£ millions

## NEW ISSUES OF 3 OR OVER

Date	Government, etc.	Other Fixed Interest (excl. Convertibles)	Convertible Stocks	Others
1980				
Current week (25/6-27/6)				Anderson Strathclyde (rights) (26/6) 6  Charterhall Ltd (rights) (27/6) 4
Week 2 (30/6-4/7)		Sunderland and South Shields Water Company (tender) (1/7) 3		S & W Berisford Ltd (rights) (1/7) 25  Coalite Group Ltd (rights) (4/7) 10
Week 3 (7/7-11/7)				McKay Securities Ltd (rights) (8/7) 4
Week 4 (14/7-18/7)				Norcros Ltd (rights) (18/7) 10
Week 5 (21/7-25/7)				The Charterhouse Group Ltd (offer for sale) (24/7) 40
Week 6 (28/7-1/8)				
Week 7 (4/8-8/8)		Newcastle and Gateshead Water Company (tender) (5/8) 6		
Forthcoming		Lee Valley Water Company (tender) (7/10) 4		
		TOTAL 13	TOTAL	TOTAL 99
*Issues announced:	1977	118		615
	1978	60		959
	1979	162		946
	1980 to date	74		309
*Issues completed	1977	143		784
	1978	63		910
	1979	150		979
	1980 to date	47		119

\*Includes issues of less than 3.

25 June 1980



Official Stock Transactions and Gilt-Edged Yields

(£ million: sales + , purchases - )

1. Transactions (cash value)

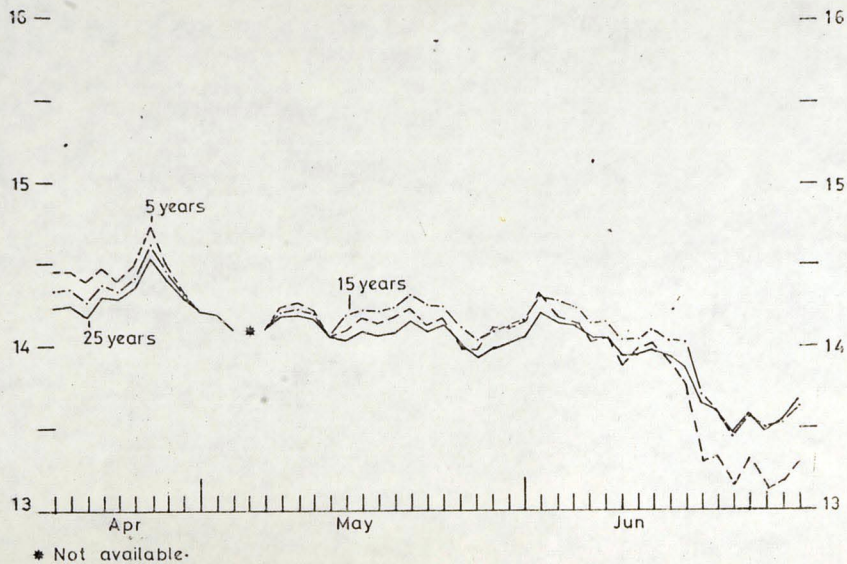
	18.6.80 <u>-24.6.80</u>	Cal. Qtr and Fin. Year <u>to date</u>	21.2.80 <u>to date</u>
Issue Department			
Purchases/sales			
Next Maturities	- 2	- 615	- 711
Other short-dated	<u>- 19</u>	<u>+ 1,036</u>	<u>+ 1,124</u>
	- 21	+ 421	+ 413
Mediums	+ 20	+ 896	+ 946
Longs and undated	<u>- 20</u>	<u>+ 1,758</u>	<u>+ 2,023</u>
Total Issue			
Department trans- actions	- 21	+ 3,075	+ 3,382
CRND	+ 15	+ 93	+ 92
Redemptions	<u>- 100</u>	<u>- 486</u>	<u>- 776</u>
	<u>- 106</u>	<u>+ 2,682</u>	<u>+ 2,698</u>

2. Redemption Yields (tax ignored)

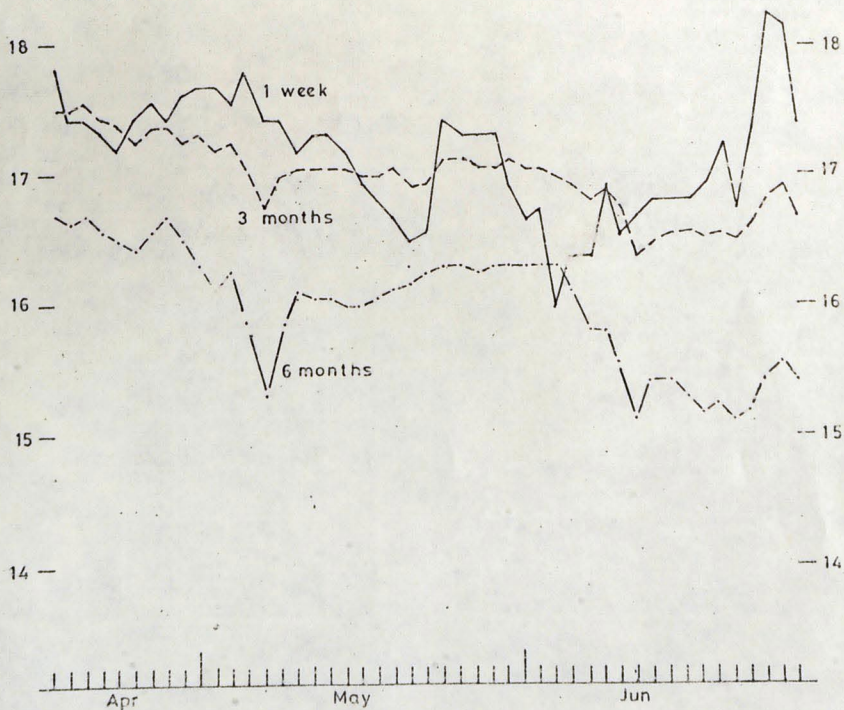
	<u>17 June</u>	<u>24 June</u>
11 1/2% Treasury 1981	13.94	14.04
8 1/4% Exchequer 1981	13.14	13.23
12% Treasury 1984	12.74	12.69
13 1/4% Exchequer 1987	12.77	13.02
10% Treasury 1992	13.30	13.27
12 1/4% Exchequer 1999	13.51	13.57
11 1/2% Treasury 2001/04	13.31	13.36
12% Exchequer 2013/17	12.92	13.00
3 1/2% War (Flat Yield)	10.62	10.72

### Gilt edged yields (F.T. high coupon)

Yields



### Interbank rates

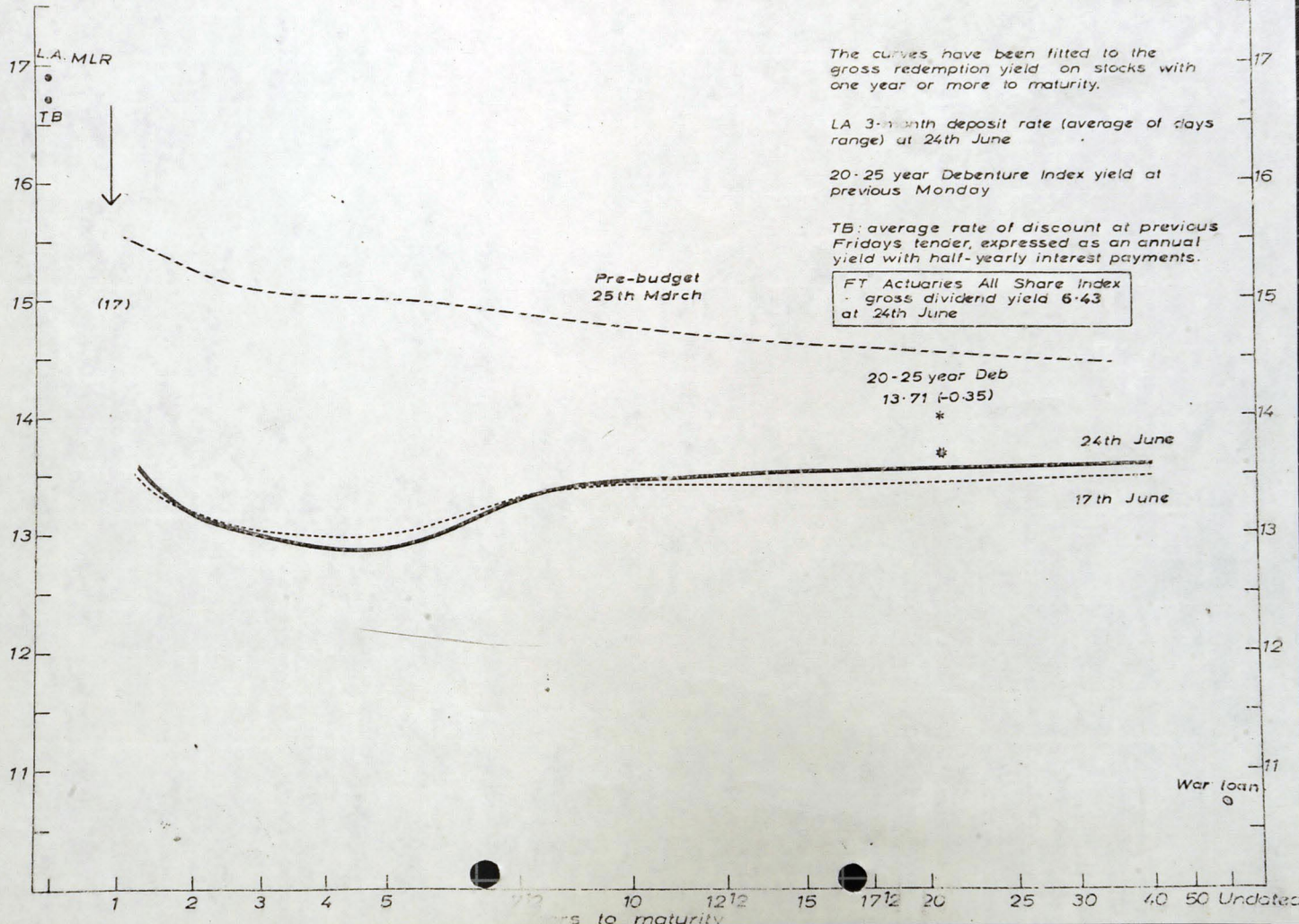




Per cent

Time Yield Curves of British Government Stocks

25th June 1980



Years to maturity