

SECRET

NOTE FOR WEDNESDAY MEETING

MARKETS: 9 JULY 1980-15 JULY 1980

Money

Continuing stringency in the money markets this week was chiefly due to Friday's final call on 13 1/2% Exchequer 1992 and to the final payment of Supplementary Special Deposits on Monday. The market was also affected on Wednesday by the repayment of previous market advances by the Bank and on Thursday by the unwinding of a previous purchase of commercial bills.

The Bank assisted the market this week chiefly by the purchase on Friday of gilts under the second purchase and resale facility open to all listed banks and finance houses above a certain size. Further help was given on Monday and Tuesday, in advance of make-up day, by means of moderate to large foreign exchange swaps.

Regular assistance by the Bank was also necessary every day, taking the form of outright purchases of Treasury Bills on every day but Friday and of Local Authority bills on Friday and Monday. In addition the Bank lent each day at MLR, Wednesday's lending being for two days.

Overnight and seven day interbank rates both finished the week 3/8% down after erratic movements reflecting both the prevailing shortages and the high level of assistance. Longer rates were generally steady throughout the week, the three month rate finishing 1/4% up at 16%.

Overnight and seven day rates are firm this morning: other rates easier.

Eurosterling rates have been generally firm since the weekend after softening on Friday. The three month rate ended the week 3/8% higher at 16%.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.2480 to 14.4924. Treasury Bill dealing rates were left unchanged.

Gilts

Although the market responded unfavourably to the June money supply figures published on Tuesday, it recovered on Wednesday notwithstanding the announcement of disappointing CGBR figures. Shorts were comparatively neglected but a considerable amount of buying was seen at the longer end of the market. The improvement continued on Thursday morning, but profit taking then developed and the market closed looking barely steady. On Friday the market was quietly firmer; a further tranche of £400 mn of 3% Exchequer Stock 1983 at a minimum price of 83 1/4 was announced at 3.30 pm.

The market opened firm on Monday, with rises of up to 1/2% in long dated stock, but profit taking developed and by mid morning the market was standing below Friday's closing levels. Business activity fell away and the market closed with prices 1/8%-1/4% down. Demand picked up on Tuesday and prices continued to advance throughout the day. At close of business shorts were showing rises of up to 1/4% while longs were up 7/8% better on the day. The trade figures were well received and the market continued to move upwards in after hours trading.

Over the week as a whole, shorts were little changed but longs showed gains of up to 1 1/8.

Local Authority Bonds

The coupon on fixed rate one year bonds was unchanged at 13 3/4%. Issues totalled £15.65 mn (£15.5 mn last week) against maturities of £14 mn.

New Issues

Queue.

A placing of £7 mn of 7-year bearer notes at 13 1/4% by the EIB was added to the queue and completed during the week. The notes, which will not be publicised, were wholly taken up by Kleinwort Benson, who for the present intend to hold the notes themselves.

Other

Two British companies announced issues in the eurodollar bond market: \$200 mn of 15-year floating-rate notes by BBI (through an off-shore vehicle), convertible up to January 1988 into 9 1/2% fixed-rate bonds, and \$35 mn of 16-year bonds at 8 1/4% by MEPC, convertible into equity. The latter is the first equity-convertible eurobond issue by a UK company since the ending of exchange control.

Init. EAJG

16 July 1980

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales + , purchases -)

1. Transactions (cash value)

	9 7.80 <u>-15.7.80</u>	Cal.Qtr. <u>to date</u>	Fin.Year <u>to date</u>	21.2.80 <u>to date</u>
Issue Department				
Purchases/sales				
Next Maturities	-	16	642	738
Other short-dated	+ 7	+ 301	+ 1,365	+ 1,452
	+ 7	+ 285	+ 723	+ 714
Mediums	+ 489*	+ 999	+ 1,920	+ 1,969
Longs and undated	- 4	+ 93	+ 2,061	+ 2,327
Total Issue				
Department trans- actions	+ 492	+ 1,377	+ 4,704	+ 5,010
CRND	- 5	- 19	+ 71	+ 69
Redemptions	- 1	- 6	- 501	- 790
	+ 486	+ 1,352	+ 4,274	+ 4,289

* Includes + 408 from call on 13 1/2% Exchequer 1992.

2. Redemption Yields (tax ignored)

	<u>8 July</u>	<u>15 July</u>
11 1/2% Treasury 1981	14.28	14.08
8 1/4% Exchequer 1981	13.25	13.53
12% Treasury 1984	12.61	12.57
13 1/4% Exchequer 1987	12.99	12.87
10% Treasury 1992	13.10	12.79
12 1/4% Exchequer 1999	13.29	13.04
11 1/2% Treasury 2001/04	13.36	12.87
12% Exchequer 2013/17	12.77	12.55
3 1/2% War (Flat Yield)	10.81	10.79

NEW ISSUES OF 3 OR OVER

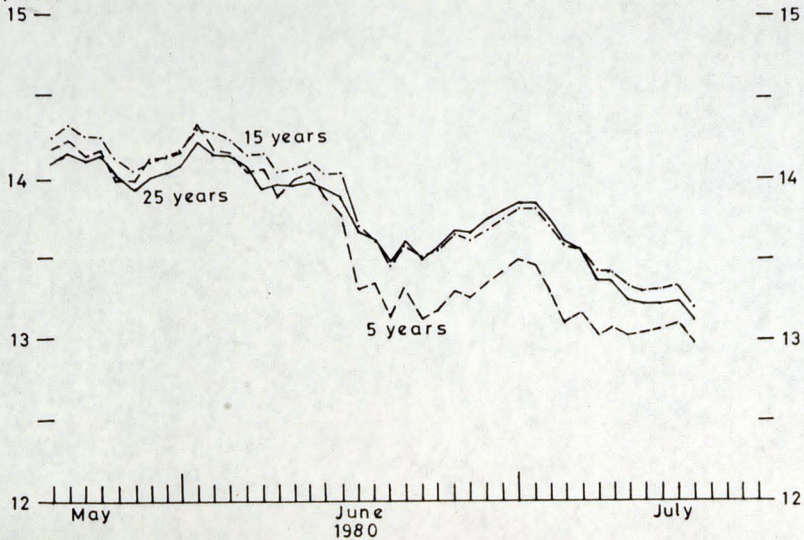
Date 1980	Government, etc.	Other Fixed Interest (excl. Convertibles)	Convertible Stocks	Others
Current Week (16/7-18/7)				Lonrho Ltd (rights) (17/7) 34
Week 2 (21/7-25/7)				The Charterhouse Group Ltd (offer for sale) (24/7) 40
Week 3 (28/7-1/8)				
Week 4 (4/8-8/8)		Newcastle and Gateshead Water Company (tender) (5/8) 6		
Week 5 (11/8-15/8)				
Week 6 (18/8-22/8)				
Week 7 (26/8-29/8)				Blue Circle Industries Ltd (rights) (27/8) 50
Porthcoming		Lee Valley Water Company (tender) (7/10) 4		
		Essex Water Company (tender) (2/12) 7		Law Land Company Ltd (rights) (2/9) 6
		TOTAL 17	TOTAL	TOTAL 130
*Issues announced:	1977	118		815
	1978	60		959
	1979	162		946
	1980 to date	79		394
*Issues completed	1977	143		784
	1978	53		910
	1979	150		979
	1980 to date	54		248

*Includes issues of less than 3.

16 July 1980

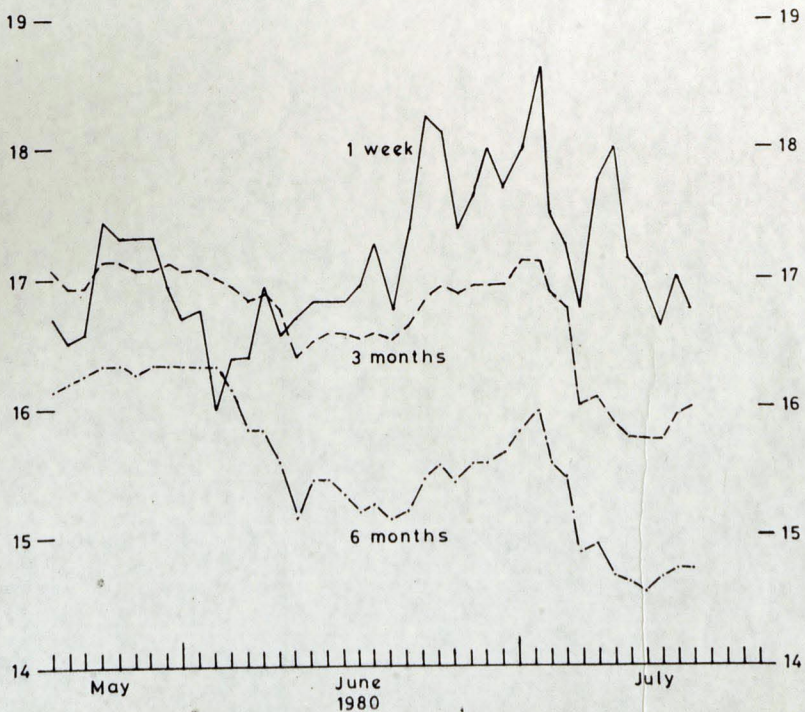
Gilt edged yields (F.T. high coupon)

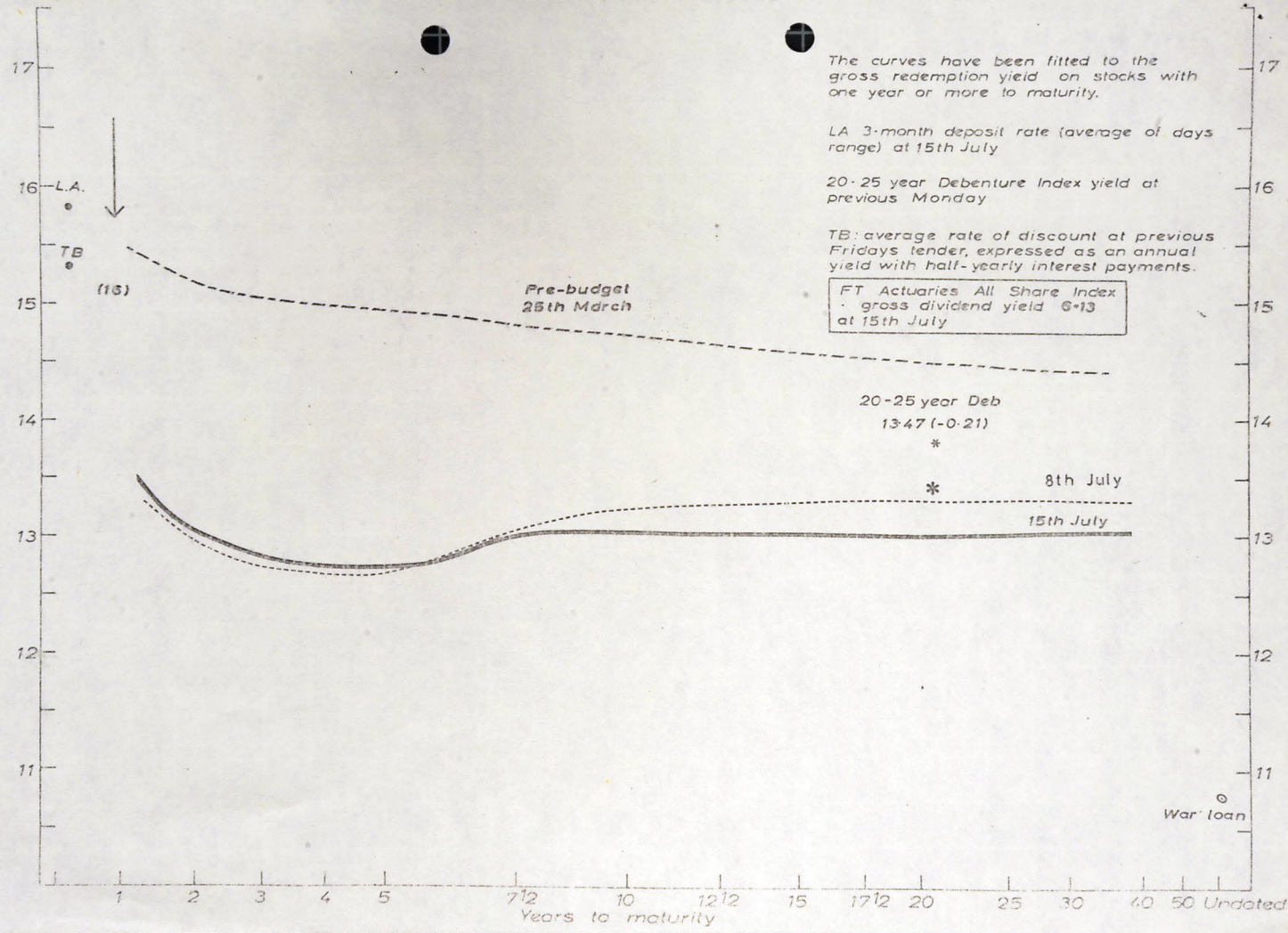
yields
15 —



Interbank rates

19 —





The curves have been fitted to the gross redemption yield on stocks with one year or more to maturity.

LA 3-month deposit rate (average of days range) at 15th July

20-25 year Debenture Index yield at previous Monday

TB: average rate of discount at previous Fridays tender, expressed as an annual yield with half-yearly interest payments.

FT Actuaries All Share Index gross dividend yield 6.13 at 15th July

20-25 year Deb
13.47 (-0.21)
*

*

8th July

15th July

War loan

Years to maturity