

18. 7.80

9EY/16A / 16A
THE GOVERNOR'S PRIVATE SECRETARY

Copies to: Mr George
Mr Coleby
Mr Plenderleith

The Governor has asked for briefing on UK interest rate movements since the increase in MLR to 17% in November 1979. I attach charts, prepared in the Financial Statistics Division, showing movements in three and twelve month interbank rates and in gross redemption yields on short, medium and long gilts. The chart also identifies some of the key events which have influenced market sentiment.

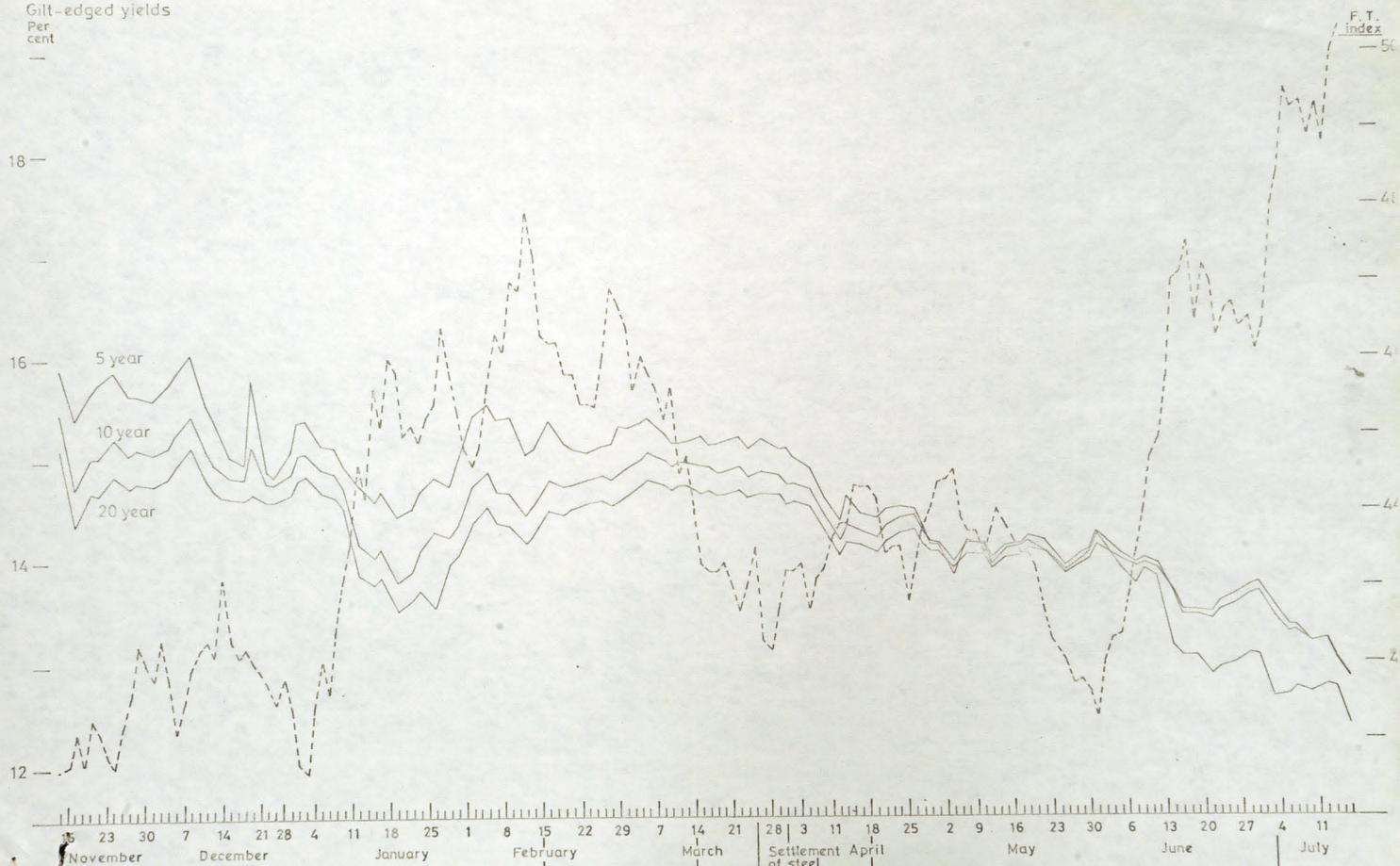
I.M.B.E.
18 July 1980

I M B Erskine (4288) HO-M

JP 21/7⁹

Gilt-edged yields

Per cent



US Federal Reserve discount rate raised 1% to a record 13%.

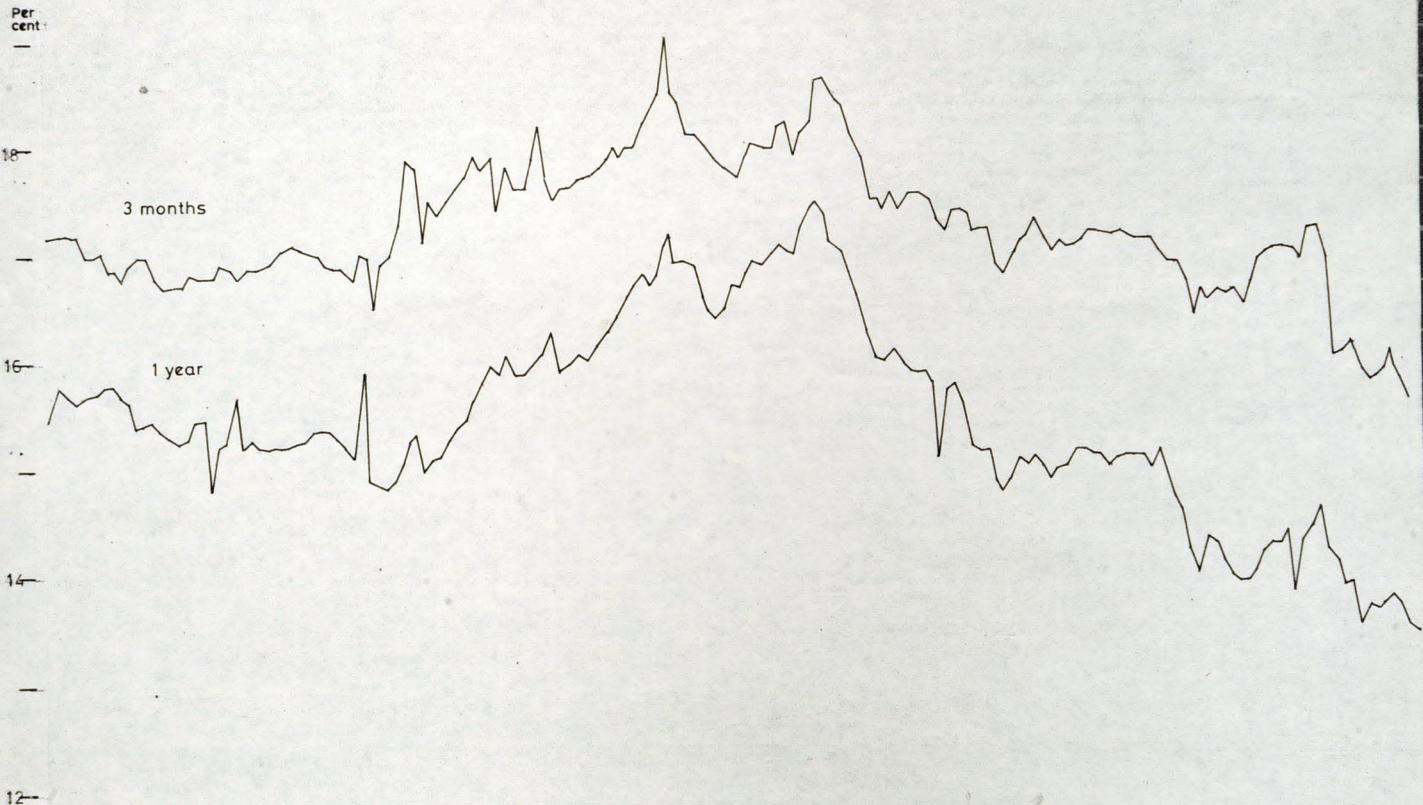
US President announces his anti-inflation measures.

UK Budget dispute.

Fall in US commercial banks prime lending rate from 20% to 19 1/2%.

MLR cut from 17% to 16%.

Interbank rates



16 23 30 7 14 21 28 4 11 18 25 1 January 8 15 22 29 7 14 21 28 3 11 18 25 2 9 16 23 30 6 13 20 27 4 11
November December January February March April May June July

US Federal Discount rate raised 1% to a record 13%.

US President announces his anti-inflation measures

UK Budget

Settling of steel dispute
Fall in US commercial banks prime lending rate from 20% to 19 1/2%.

MLR cut from 17% to 16%.