

Wednesday, 4th February, 1981.

The Gilt Edged market was quiet and firm at the opening with prices of the short-dated bonds $\frac{1}{8}$ higher and the medium and long-dated issues about $\frac{1}{8}$ up. Although the market was fairly quiet, buyers predominated and prices in all sections improved further during the morning with particular emphasis being concentrated on the short-dated bonds, with hopes of an early reduction in the Minimum Lending Rate. Prices in this section of the market had by lunchtime improved by about $\frac{1}{4}$ - $\frac{3}{8}$ and the long-dated issues were also quite firm though rather less active, but showing rises from the opening levels. The market remained quite firm during the afternoon but eased slightly when it was known that the representatives of the workers in the Water Industry had rejected a 10% wage increase. The market, however, closed the day looking reasonably firm but just below the best levels.

The Industrial market opened steady, maintaining the recent firm undertone. Prices improved across a broad front on further institutional support. However, news that the water workers have rejected their latest pay offer caused most sectors to ease, although still remaining higher on balance. Brewery shares were in demand on hopes that the Budget tax increases may not be as severe as was originally feared. Insurance issues saw renewed interest but Clearing Banks were still depressed on suggestion of a "windfall profits" tax. Among generally better Electricals, I.C.L. were flat following adverse press comment concerning possible trading difficulties. Unitech showed further weakness after yesterday's warning of lower profits. Kaffirs were sharply higher as the gold price recovered strongly.

Financial Times Index (3.00 p.m.) 478.7 (up 2.1)

<u>C.N.D.</u>	Sales	£	1,027,000
	Purchases	£	3,130,000
	Nett Purchases on balance	£	2,103,000

<u>BANK</u>	Sales	£	22,878,000
	Purchases		NIL
	Nett Sales on balance	£	22,878,000