

## NOTE FOR WEDNESDAY MEETING

MARKETS: 17 JUNE TO 23 JUNE 1981

## MONEY

The market enjoyed fairly easy conditions throughout the week. For the first two days the net Exchequer position was favourable, helping on Wednesday to offset the unwinding of a repurchase agreement; Friday saw a steep rise in the note circulation and a small Exchequer surplus, but the effect of these factors was partially counterbalanced by the Bank's purchases of gilts near maturity. On Monday a further net Government inflow was offset by the maturity of Treasury Bills sold to the market on 10 June, and the week ended with a substantial surplus the following day resulting from a large Exchequer swing in the market's favour.

The Bank gave small amounts of assistance to the market on Wednesday, Friday and Monday.

Short inter-bank rates showed some initial firmness on Thursday and Friday but tended to ease towards the close of business; these rates were generally easy after the weekend. Longer rates firmed a little on Friday, perhaps reflecting an upward turn in US rates, but fell back in line with the shorter end on Monday and Tuesday. The three-month rate finished 1/16% lower at 12 9/16%.

Euro-sterling rates also firmed on Friday but otherwise showed little movement during the week. The three-month rate ended 1/16% up at 12 5/8%.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.108 to 11.9652.

## LOCAL AUTHORITY BORROWING

The rate for one-year negotiable bonds was unchanged at 13 3/8%. Issues amounted to £13.9mn (£17mn last week) against maturities of £17.3mn.

## GILTS

The market remains hypnotised by US interest rates and money numbers. Largely as a result, the market eased ahead of the weekend but recovered thereafter as US rates appeared to soften.

Last Wednesday the market was quiet and amid continuing US interest rate uncertainties and the possibility of additional funding, prices drifted lower. Thursday saw similar conditions and longs fell by up to 1 point on the day. The market remained dull on Friday and not even the announcement of a further fall in inflation and the lack of any new funding managed to improve the sentiment.

On Monday the news of a further decline in US money growth introduced a firmer tone and the attraction of yields in excess of 15% proved a stronger factor than new uncertainties on US prime rates; rises were achieved of up to a 1/2 in shorts and 3/4 in longs. Yesterday the firm tone continued on official US forecasts of a downward movement in interest rates later this year, but trading was light with most maturities about 1/2 better on the day. Over the week as a whole prices were little changed.

## EQUITIES

The week was dominated by the BP rights issue to raise £624mn, which was finally announced last Thursday.

On Wednesday amid continued persistent rumours of a BP funding exercise, the market fell 6.6 points. On Thursday, in a confused market the Index closed only 3.7 points lower, of which BP accounted for 1 point. On Friday, however, a technical rally recovered early losses.

After the weekend, in quiet trading, equities reflected the firmer tone in gilts. Yesterday the new nil-paid BP shares traded quietly at around 40p premium and there was brisk trading in clearing bank shares following some rumours of US interest in Lloyds.

Over the week as a whole the FT Index fell by 6.9 points to 544.5.

NEW ISSUES

Queue

Following the announcement of the BP issue and with no new issues being added to the queue, the total queue dropped to £963mn compared with £1,669mn last week.

(Init EAJG)

24 June 1981

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases - )

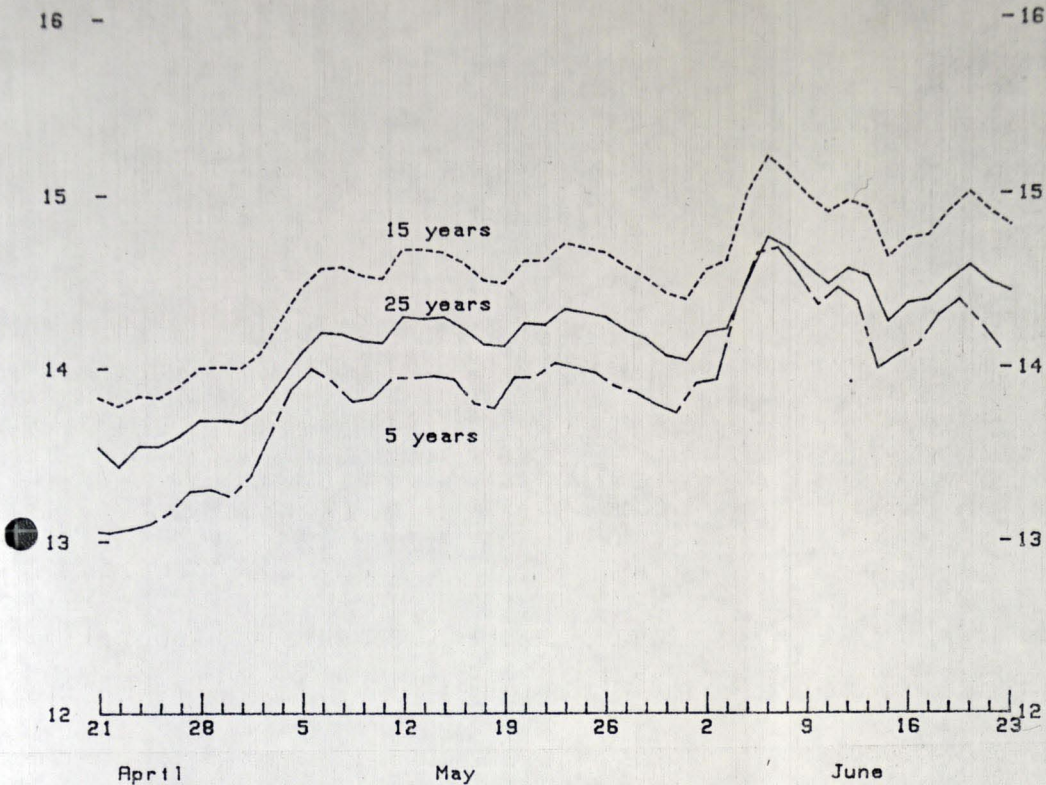
1. Transactions (cash value)

	17.6.81 <u>-23.6.81</u>	Cal.Qtr. and <u>Fin.Year to date</u>	18.2.81 <u>to date</u>
Issue Department			
Purchases/sales			
Next Maturities	- 34	- 936	- 1,355
Other short-dated	<u>+ 31</u>	<u>+ 517</u>	<u>+ 1,005</u>
	- 3	- 419	- 350
Mediums	+ 52	+ 1,547	+ 2,260
Longs and undated	<u>+ 9</u>	<u>+ 733</u>	<u>+ 1,771</u>
Total Issue			
Department trans- actions	+ 58	+ 1,861	+ 3,681
CRND	+ 1	+ 184	+ 236
Redemptions	- 6	- 321	- 417
	<u>+</u> 53	<u>+</u> 1,724	<u>+</u> 3,500

2. Redemption Yields (tax ignored)

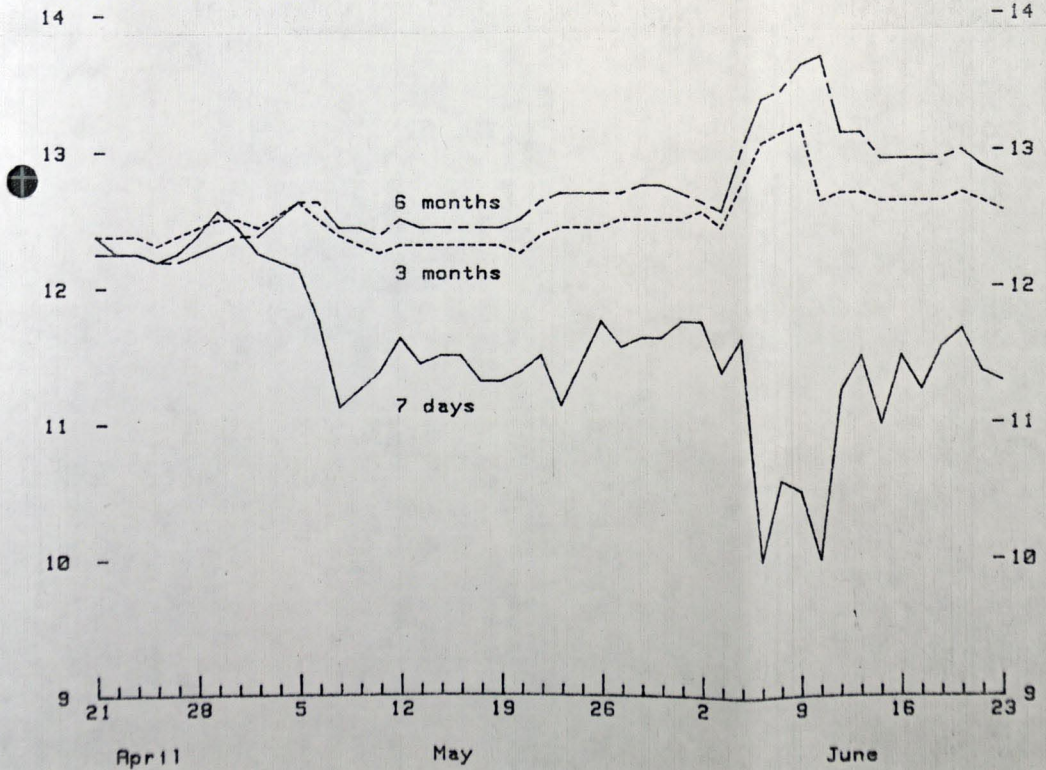
	16 June	23 June	Change
12 3/4% Exchequer 1981	12.36	12.40	+0.04
13 1/2% Exchequer 1983	13.65	13.46	-0.19
12% Treasury 1984	13.67	13.63	-0.04
13 1/4% Exchequer 1987	13.77	13.83	+0.06
13% Treasury 1990	14.50	14.53	+0.03
2% Index-Linked Treasury 1996	2.25	2.28	+0.03
12 1/4% Exchequer 1999	14.55	14.59	+0.04
11 1/2% Treasury 2001/04	14.20	14.24	+0.04
12% Exchequer 2013/17	13.69	13.77	+0.08
3 1/2% War (Flat Yield)	12.08	12.11	+0.03

Gilt edged yields [F.T. High coupon]



Interbank rates

Yields



## NEW ISSUES

	Fixed interest (excl convertibles)			
	Domestic borrowers	Foreign borrowers	Convertibles	Equities
TOTAL QUEUE*	<u>37</u>	<u>85</u>	<u>78</u>	<u>763</u>
Of which issues of 10 or more:				
Current week (24/6-26/6)			Chloride Group Ltd (rights) (24/6) 15	
Week 2 (29/6-3/7)		Inco Ltd (placing) (30/6) 35		
Week 3 (6/7-10/7)	The South Staffordshire Waterworks Co (offer for sale by tender) (8/7) 10		The Seiyu Stores Ltd ø (8/7) 20	Mercantile House Holdings Ltd (rights) (6/7) 10 Hamilton Bros Oil Company (Great Britain) Ltd (offer for sale) (7/7) 20 Gold & Precious Metal Investment Trust (offer for sale) (9/7) 20 Hill Samuel Group Ltd (rights) (10/7) 15
Week 4 (13/7-17/7)		Denmark (13/7) 50		Inchcape & Co Ltd (rights) (15/7) 75 F & C Enterprise Trust PLC (offer for sale) (17/7) 10
Week 5 (20/7-24/7)			Central Finance Co Ltd ø (20/7) 10	Venture Capital Fund (private placing) (20/7) 10 Hanson Trust Ltd (rights) (21/7) 30 Emirex Petroleum Ltd (offer for sale) (22/7) 10 Nimslo European Holdings Ltd (offer for sale) (23/7) 25

Week 6  
(27/7-31/7)

Week 7  
(3/8-7/8)

Forthcoming

Japanese Assets  
Trust PLC  
(offer for sale)  
(28/7) 10  
United Scientific  
Holdings Ltd  
(rights)  
(30/7) 25

An investment trust  
(offer for sale)  
(4/8) 10  
Ladbroke Group Ltd  
(rights)  
(6/8) 20

Carrington  
Viyella  
(13/8) 15  
London Trust  
Company Ltd  
(rights)  
(8/9) 15

Hadson Petroleum  
(International) PLC  
(offer for sale)  
(11/8) 10  
The Laird Group  
(rights)  
(14/8) 14  
Burnett & Hallamshire  
Holdings Ltd (rights)  
(18/8) 20  
HAT Group Ltd  
(rights)  
(19/8) 10  
The Morgan Crucible  
Co Ltd  
(rights)  
(20/8) 10  
London and Scottish  
Marine Oil Company  
Ltd (rights)  
26/8) 75  
John Brown & Co Ltd  
(rights)  
(4/9) 25  
BICC Ltd (rights)  
(9/9) 65  
J P M Machines Ltd  
(offer for sale)  
(19/9) 10  
Legal and General  
(rights)  
(15/9) 65  
Split Capital  
Investment Trust  
(offer for sale)  
(16/9) 20  
Habitat Design  
Holdings Ltd  
(offer for sale)  
(24/9) 15  
Guinness Peat Group Ltd  
(rights)  
(29/9) 15  
Second Save & Prosper  
Linked Investment  
Trust PLC  
(offer for sale)  
(7/10) 30

Exco Securities (1979) Ltd (offer for sale)12 Kwik Save Discount Group Ltd (rights) (12/11)	15
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/Issues announced:	1978	60	959
	1979	162	946
	1980	290	1,066
	1981 to date	176	1,150
/Issues completed	1978	63	910
	1979	150	979
	1980	284	945
	1981 to date	175	676

\*Includes issues of 3 or more  
 /Includes issues of less than 3  
 /Foreign borrower

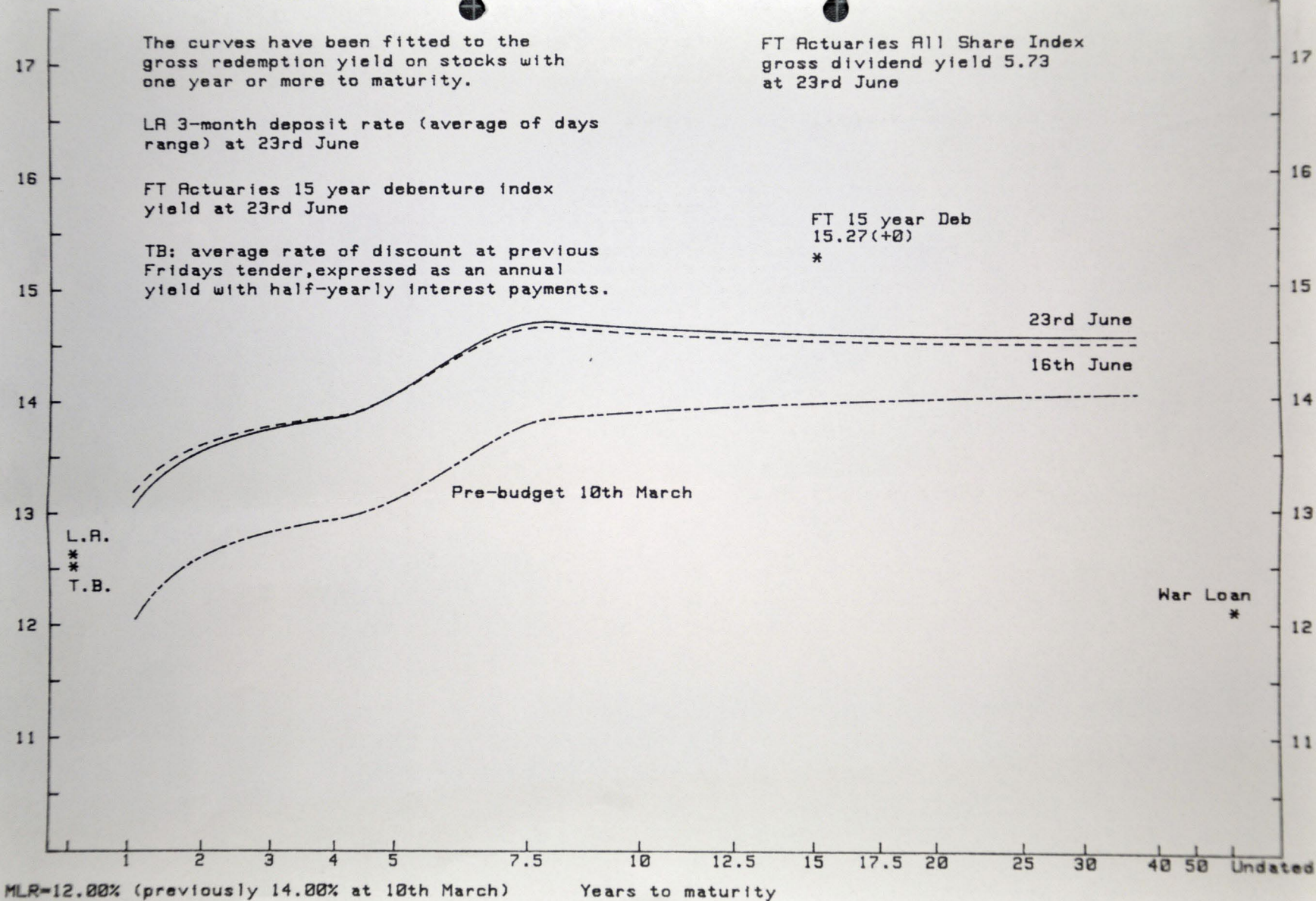
24 June 1981



Per cent

# Time / Yield Curves of British Government Stocks

24th June 1981



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 23rd June

FT Actuaries 15 year debenture index yield at 23rd June

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 5.73 at 23rd June

FT 15 year Deb 15.27(+0) \*

23rd June

16th June

Pre-budget 10th March

L.A.  
\*  
\*  
T.B.

War Loan  
\*

MLR=12.00% (previously 14.00% at 10th March)

Years to maturity