

Monday, 6th July, 1981.

The Gilt-Edged market opened up to $\frac{3}{8}$ easier this morning, but almost all of this fall had taken place after-hours on Friday, following the announcement of the new Index Linked stock. However sellers soon began to appear and prices eased away for most of the morning, in face of press reports that rates would have to rise in view of the fall in sterling. By lunchtime shorts were showing losses of up to $\frac{1}{2}$ while longs were as much as $\frac{7}{8}$ down. Following the news that some of the Discount Market had borrowed from the Bank at a rate above M.L.R., further sellers appeared, particularly in the shorts, and prices fell away again. Shorts closed at about the lowest of the day with falls of up to $\frac{7}{8}$ while longs closed slightly above the worst, but still showing losses of up to $1\frac{1}{4}$.

The Industrial market opened slightly easier at the start of the second week in the current account. Fears that higher interest rates may be needed to stabilise sterling and several cautious economic surveys caused most sectors to weaken during the day. However, two-way trade developed at the lower levels and prices had partially recovered by the close. Electricals were affected by profit-taking and G.E.C. were dull following adverse press comment on prospects for their latest torpedo project. Chloride improved on news that Australian Mining and Smelting, a subsidiary of R.T.Z., have purchased a 15% share stake. Breweries were weak on further consideration of last week's disappointing results from Scottish and Newcastle and the gloomy beer production figures. Among easier Engineers, Tubes were flat on a broker's 'sell' recommendation. Oil issues declined on speculation of cuts in North Sea production to counter falling demand. Banks and Insurance shares eased through lack of any further bid developments. Mercantile House were marked down on news of a rights issue to raise £9.6 million although final profits were better than expected. Kaffirs fell in line with the bullion price.

Financial Times Index (3.00 p.m.) 541.7 (down 6.3)

<u>C.N.D.</u>	Sales		NIL
	Purchases		NIL
<u>BANK</u>	Sales		NIL
	Purchases	£	7,447,000
	Nett Purchases on balance	£	7,447,000