

Thursday, 9th July, 1981.

The Gilt Edged market had been considerably easier after hours yesterday following the announcement of the result of the Index Linked tender. Longs had fallen by up to  $1\frac{1}{4}$  points and the 2% Index Linked 1996 stock had fallen from  $95\frac{1}{2}$  to 92. The market opened very tentatively this morning as investors waited to see what the authorities' attitude would be to sales of the new Index Linked stock left in official hands. When it became apparent that there were enough buyers to exhaust supplies at  $30\frac{3}{8}$  the market took on a slightly better tone and continued to improve in the fixed interest issues, as the price of the index linked issues rose. Shortly before lunch the authorities were able to restart the short tap Treasury  $11\frac{1}{2}\%$  1985 by sales at 91. During the afternoon it became apparent that U.S. fixed interest markets were still going easier, and prices here came off the best levels. Shorts closed  $\frac{1}{4} - \frac{3}{8}$  below yesterday's 3.30 levels and longs  $\frac{3}{4} - \frac{1}{8}$  down. The 2% Index Linked 1996 closed at  $93\frac{1}{8}$  and the 2% Index Linked 2006 closed at  $31\frac{5}{16}$  (30 paid).

The Industrial market opened lower with sentiment still affected by thoughts of higher American prime rates and the anticipated disappointing response to the British Petroleum rights issue. Although there was a technical recovery during the morning, prices did not sustain this improvement and drifted back to close around the worst levels. Oil shares were depressed despite proposals for increased petrol prices. Among secondary stocks, Candecca were in demand on takeover speculation. Electricals continued to fall on widespread profit-taking following the firm trend of late. The Building and Property sectors were dull on renewed fears of more expensive money. Among quiet Papers, Letraset were well supported on hopes of a counter bid above the terms announced yesterday by Mills and Allen. Imperial Group declined on first half profits considerably below market estimates and on news that the chairman has resigned. Engineers, Stores and Foods were generally easier throughout. Kaffirs moved ahead as the gold price rallied after recent weakness.

Financial Times Index (3.00 p.m.) 518.4 (down 4.0)

<u>C.N.D.</u>	Sales	£	414,000
	Purchases		NIL
	Nett Sales on balance	£	414,000
<u>BANK</u>	Sales	£	205,508,000
	Purchases	£	18,000,000
	Nett Sales on balance	£	187,508,000