

## NOTE FOR WEDNESDAY MEETING

MARKETS: 30 DECEMBER 1981 TO 5 JANUARY 1982

This note covers only four days due to the New Year holiday.

## MONEY

The week began with a moderate surplus of funds in the market but conditions tightened thereafter. Commonly occurring features in the week were falls in the note circulation and commercial bill maturities which were largely offsetting in their effect on the market. The unwinding of an earlier repurchase agreement on Thursday and adverse Exchequer positions on Monday and Tuesday, as the tax paying season started, were factors which moved the market into shortage.

The Bank sold Treasury bills on Thursday to absorb the surplus funds and bought bills outright on the remaining three days to alleviate the shortages.

Period interbank rates were steady in quiet conditions at the end of the year but an easier trend in eurodollar rates saw interbank rates open the New Year about 1/8 lower. The increase in the Federal Funds rate and its effect on the New York markets late on Monday caused some nervousness in early trading on Tuesday and rates opened firmer but they eased back slightly during the day on news of the encouraging money supply figures. The three month rate fell 3/16 over the week as a whole, to close at 15 5/8%.

Short interbank rates generally stayed firm over the week in the face of continuing daily shortages. The 7 day rate rose 1/4 to close at 14 7/8%, having touched 15 5/8%.

Eurosterling rates showed declines over the week with the three month rate falling about 1/4 to 15 9/16%.

At the Treasury bill tender on Thursday the average rate of discount fell by 0.0393 to 14.7813%.

## LOCAL AUTHORITY BORROWING

The rate for one year bonds fell by  $1/8\%$  to  $15\ 1/2\%$ . Issues amounted to £12.1 mn. (£7.7 mn last week) against maturities of £13.4 mn.

## GILTS

After edging quietly higher prior to the end-year and a promising start on Monday, prices fell back, particularly on Tuesday after adverse US developments. Publication of the December banking figures yesterday afternoon prompted a partial recovery.

The market remained extremely quiet prior to the New Year holiday. On Wednesday shorts held gains of around  $1/4$  with longer maturities unchanged on the day. At the close of business a new low coupon issue was announced, 3% Treasury Stock 1987, priced to yield 11.97% to redemption. The following day shorts closed with minor mixed changes and longs with rises of up to  $1/4$ .

After the weekend, some early buying on Monday was encouraged by the pound's rise against the dollar. This enabled modest official sales to be made. However, demand quickly petered out and prices eased back to leave shorts slightly below Thursday's close and longs largely unchanged. Yesterday, the market opened lower after poor US money supply figures and the sharp overnight fall in US bonds. Continued selling produced losses of up to  $1\ 1/8$  at one stage but these were partly regained after the publication of the December banking figures and the low growth indicated in  $\text{EM}_3$ ; shorts closed with net losses of up to  $3/4$  with longs up to  $1/2$  down.

Over the week as a whole, prices of shorts fell by about  $1/2$ - $3/4$  (to yield about  $16\ 5/16$  on five-year maturities) and those of longs by about  $1/4$ - $3/8$  (to yield about  $16\ 1/8\%$  on 20-year maturities).

The FT Government Securities Index closed the year at 62.37, having declined by over 9% during the year and having ranged between 60.17 (26 October) and 70.61 (20 March).

## EQUITIES

The market was initially supported by favourable end-year factors but declined after the weekend on concern at the industrial relations outlook.

Selective institutional demand continued to edge the market higher prior to the end-year, although trading generally was at a very low ebb. The FT Index closed Thursday at 530.4, having risen by 56 points (8 1/2%) over the year as a whole and having ranged between 446.0 (14 January) and 597.3 (30 April).

After the weekend, concern at the outlook for industrial relations reasserted itself and the Index lost 8.1 points on Monday. Yesterday prices continued to decline but partially recovered after publication of the December banking figures. The Index closed 4.2 lower at 518.1, a fall of 5.9 over the week as a whole.

## NEW ISSUES

## Queue

One issue of £10 mn or more was added to the queue: a rights issue of £13 mn by Hunting Petroleum Services plc. The queue now totals £933 mn, a net increase of £19 mn over the week.

(init ALC)  
6 January 1982

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases - )

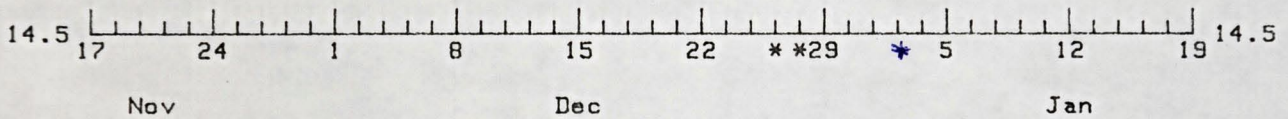
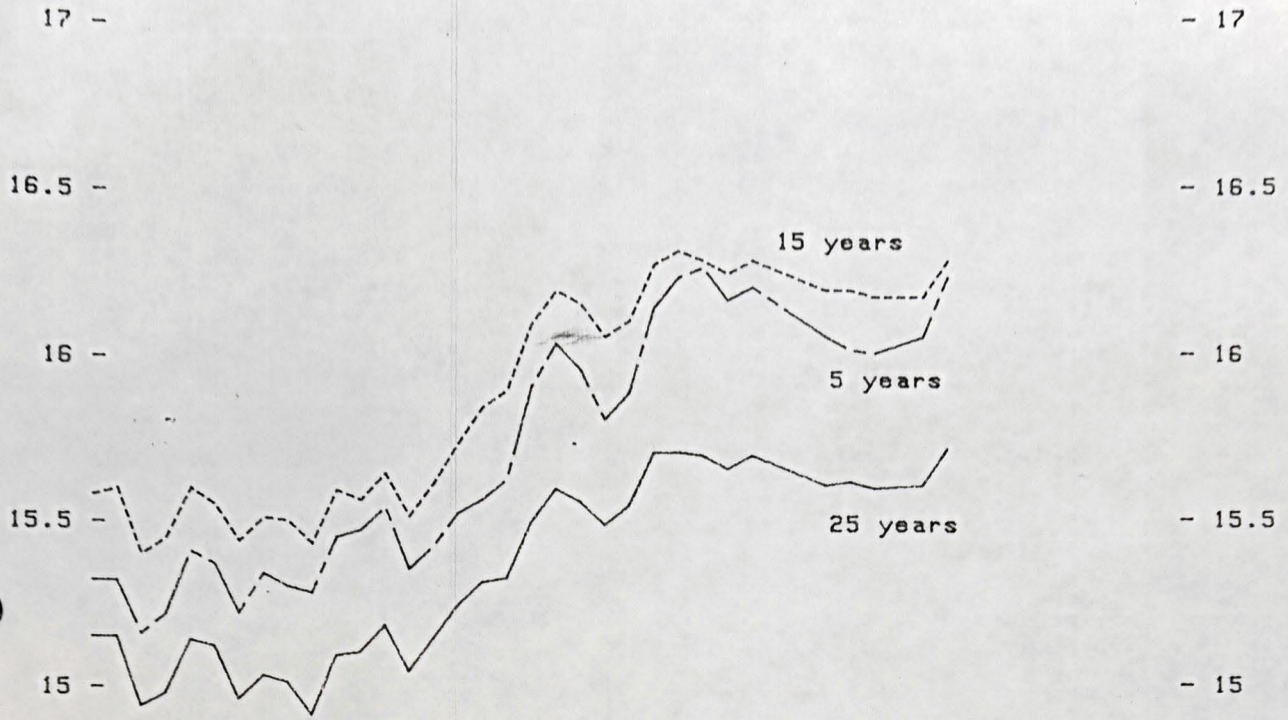
1. Transactions (cash value)

	<u>30.12.81</u> <u>- 5. 1.82</u>	<u>Cal Qtr</u> <u>to date</u>	<u>Fin Year</u> <u>to date</u>	<u>18.2.81</u> <u>to date</u>
Issue Department				
Purchases/sales				
Next Maturities	- 95	- 80	- 2,295	- 2,715
Other short-dated	- 17	- 22	+ 2,226	+ 2,717
	- 112	- 102	- 69	+ 2
Mediums	+ 28	+ 28	+ 2,447	+ 3,181
Longs and undated	-	-	+ 3,248	+ 4,286
Total Issue				
Department trans- actions	- 84	- 74	+ 5,626	+ 7,469
CRND	- 1	- 1	+ 276	+ 327
Redemptions	-	-	- 1,228	- 1,324
	- 85	- 75	+ 4,674	+ 6,472

2. Redemption Yields (tax ignored)

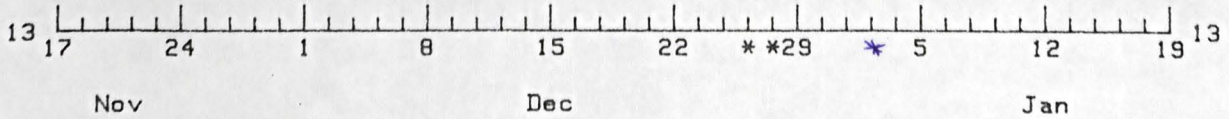
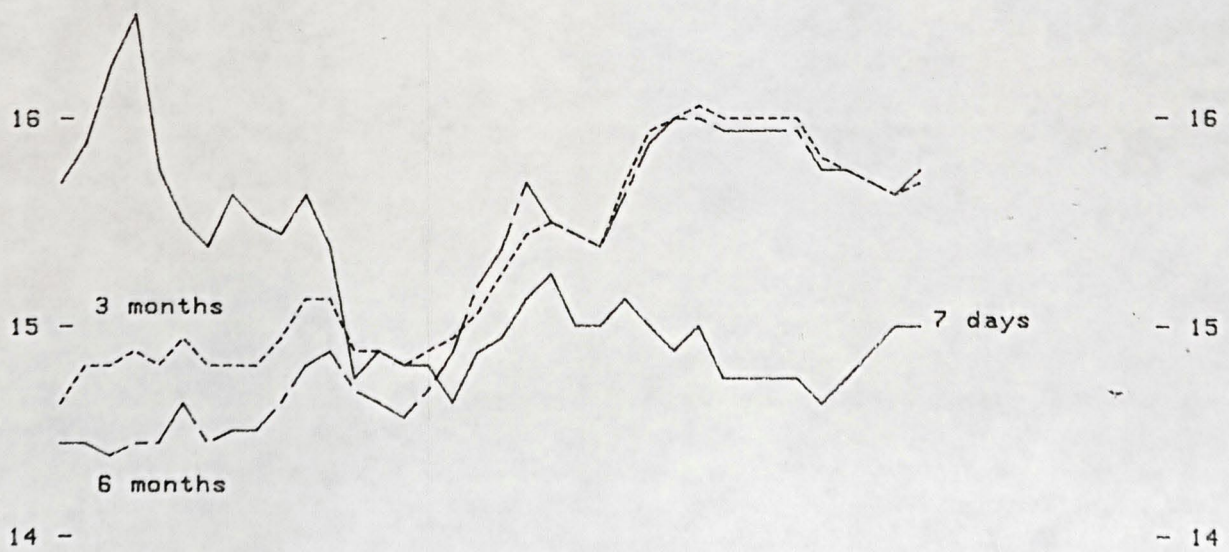
		<u>29 December</u>	<u>5 January</u>	<u>Change</u>
12%	Treasury 1983	15.52	15.88	+0.36
15%	Treasury 1985	16.11	16.35	+0.24
12%	Treasury 1987	16.34	16.49	+0.15
11 3/4%	Treasury 1991	16.37	16.50	+0.13
13 1/2%	Treasury 1994	16.44	16.55	+0.11
2%	Index-Linked			
	Treasury 1996	3.18	3.24	+0.06
12 1/4%	Exchequer 1999	15.95	16.08	+0.13
14%	Treasury 1998/01	16.07	16.16	+0.09
12%	Exchequer 2013/17	14.87	14.96	+0.09
3 1/2%	War Loan (Flat Yield)	13.29	13.39	+0.10

Gilt edged yields [F.T. High coupon]



Interbank rates

Yields  
- 17



\* Bank Holiday

## NEW ISSUES

Fixed interest  
(excl convertibles)

	<u>Domestic borrowers</u>	<u>Foreign borrowers</u>	<u>Convertibles</u>	<u>Equities</u>
TOTAL QUEUE*	<u>16</u>	<u>200</u>	<u>--</u>	<u>717</u>
Of which issues of 10 or more:				
Current week (6/1-8/1)				Kwik Save Discount Group PLC (rights) (7/1) 15
Week 2 (11/1-15/1)				Candecca Resources Ltd (rights) (12/1) 10 United Engineering Ltd (rights) (13/1) 10
Week 3 (18/1-22/1)				MEPC Ltd (rights) (19/1) 70
Week 4 (25/1-29/1)		IBRD (offer for sale) (25/1) 100		Clyde Petroleum PLC (rights) (26/1) 25 Drayton Montagu Japan Trust (offer for sale) (27/1) 15 Davy Corp Ltd (rights) (28/1) 30
Week 5 (1/2-5/2)				
Week 6 (8/2-12/2)				Amersham International (offer for sale by Atomic Energy Authority) (11/2) 50
Week 7 (15/2-19/2)				<u>Hunting Petroleum Services plc</u> (rights) (15/2) 13
				Lloyds Bank Ltd (rights) 19/2) 100

Forthcoming

SECRET

EIB  
(offer for sale)  
(8/3?) 100

The Throgmorton  
Finsbury Trust PLC  
(offer for sale)  
(1/3) 13  
Ultramar Company Ltd  
(rights)  
(3/3) 100  
The Bowater  
Corporation Ltd  
(rights)  
(10/3) 80  
Cement-Roadstone  
Holdings Ltd  
(rights)  
(15/3) 30  
Norsk Data AS  
(offer for sale)  
(17/3) 10  
Vickers Ltd  
(rights)  
(24/3) 35  
Coloroll Ltd  
(offer for sale)  
(14/4) 15  
British Transport  
Docks Board  
(offer for sale)  
(24/5-4/6?) 50  
Powell Duffryn Ltd  
(rights)  
(23/6) 20  
Superdrug Stores Ltd  
(offer for sale)  
(9/7) 10

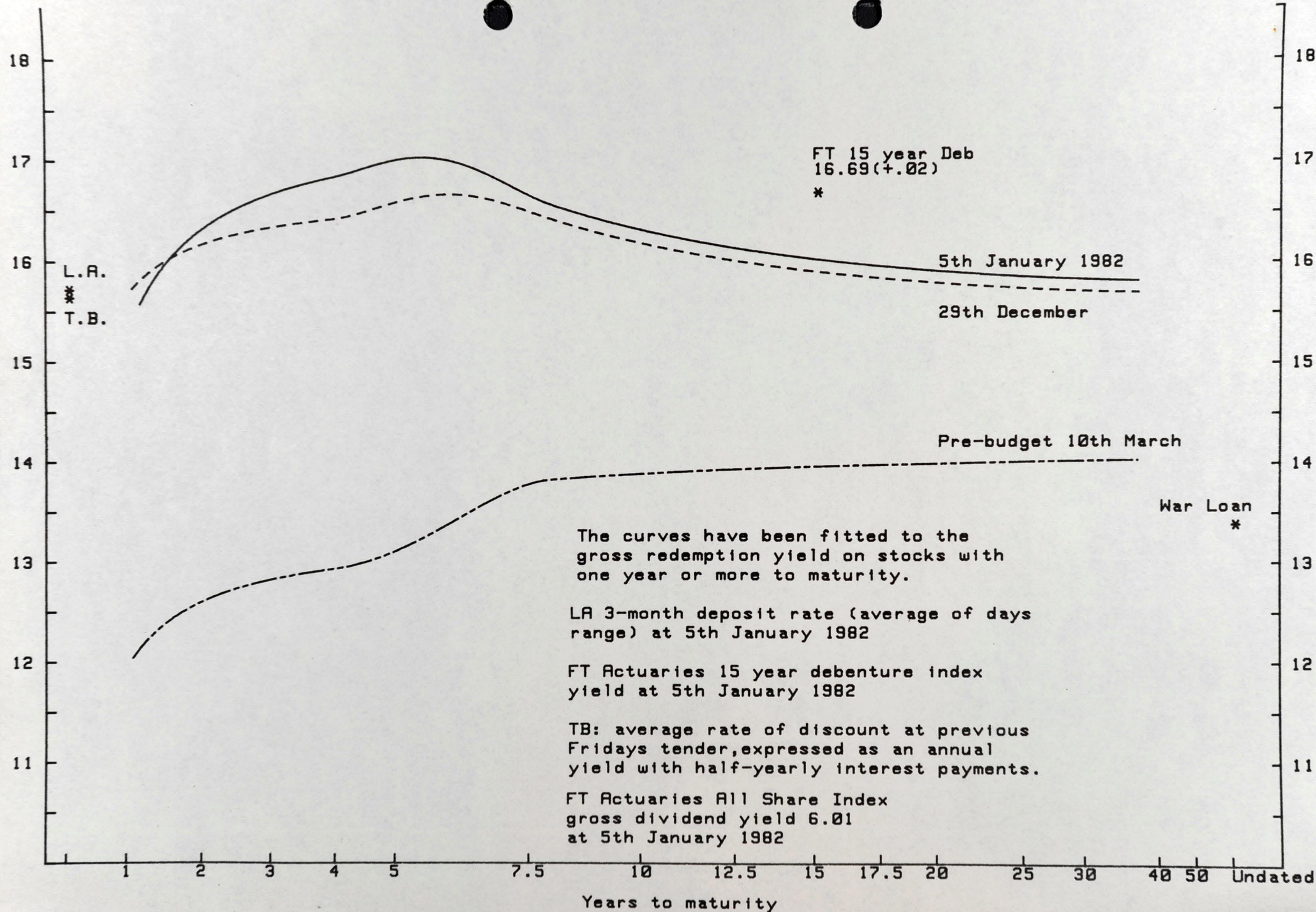
/Issues announced:	1979	162	946
	1980	364	1,066
	1981	626	1,605
	1982 to date	-	-
/Issues completed	1979	150	979
	1980	358	945
	1981	561	1,720
	1982 to date	-	-

\*Includes issues of 3 or more

/Includes issues of less than 3

∅Foreign borrower

6 January 1982



FT 15 year Deb  
16.69(+.02)  
\*

L.A.  
\*  
T.B.

5th January 1982  
29th December

Pre-budget 10th March

War Loan  
\*

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 5th January 1982

FT Actuaries 15 year debenture index yield at 5th January 1982

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 6.01 at 5th January 1982

Years to maturity