

Wednesday, 13th June, 1979.

The Gilt Edged market was quite sharply lower at the opening in all sections as a result of the Chancellor of the Exchequer raising the Minimum Lending Rate, from 12% to 14%, in the Budget. This move was, to a large extent, completely unexpected and, consequently, it had a fairly drastic effect on prices in all sections. In early trading the short-dated bonds were marked down by 2 - 3 points and the long-dated issues were lower by anything up to 3 - 4 points. The key stock was, of course, the Government long-dated tap stock, Treasury 11 $\frac{1}{2}$ % 2001-04, and this security fell to a price of 90, at which price it yielded 12.92%. At this level a very large demand developed and the Bank was able to sell almost the whole of the remaining amount of the issue which had not been subscribed for. When it was known that official supplies had been exhausted, the market recovered sharply and prices by midday had improved by 1 $\frac{1}{2}$ - 2 $\frac{1}{2}$ points from the lowest levels, as there was no doubt that the demand for the tap stock was larger than the amount available for sale. The market continued firm and reasonably active for the rest of the day and, although business was on a small scale during the afternoon, the whole market closed looking firm, about 1 $\frac{1}{2}$ - 2 $\frac{1}{2}$ points above the lowest levels.

The Industrial market opened on a cautious note after yesterday's Budget. Inflationary fears and threats of Trade Union opposition to the Budget proposals caused a marked absence of any investment interest. Selling pressure throughout the day caused prices to move substantially lower on a broad front. The increased rate of Value Added Tax adversely affected Stores and Consumer Durable issues. The Property sector was generally dull on consideration of higher interest rates, and the strength of sterling caused leading exporters to weaken. In Oils, British Petroleum were flat after confirmation of future Government share sales. Kaffirs were generally lower in line with the bullion price and Overseas issues reacted on the fall of the investment dollar premium.

Financial Times Index (3.00 p.m.)

488.5 (down 12.9)

<u>C.N.D.</u>	Sales		NIL
	Purchases	£	2,136,000
	Nett Purchases on balance	£	2,136,000
<u>Bank</u>	Sales	£	728,553,000
	Purchases	£	2,502,000
	Nett Sales on balance	£	726,051,000