

*Ministry
DSS*
For Books

Domestic Markets and policy this week

Monetary aggregates

Preliminary figures for banking March show a rise in EM3 of only 0.4%. The main reasons why the figure is below forecast are lower bank lending and a large negative external adjustment. The clearers' figures will be published on Thursday (10th).

Money and gilt edged markets

The pro rata price at the tender was unchanged giving a yield of approximately 17%.

The money market forecast up to make-up day (10th) is as follows:

							£ mn.
Tu.+30	W.-270	Th.-130	F.-440	M.-70*	Tu.-90	W.-10	
Total -980							

*Assumes rollover of gilts operation at existing amount.

Further purchase and resale operations in commercial bills over the April make-up day will be necessary to manage this shortage. Further exchange market swaps would also be helpful.

The long tap (14% Treasury Stock 1996) was exhausted last week. The short tap has not yet been reactivated but there has been some outside demand which has increased the jobbers' bear position. Present plans are to announce a replacement of the long tap on Friday (11th) so that the initial subscriptions fall in banking May.

Reserve Assets

The gilt repurchase operation with the clearers (which unwinds on Monday 14 April) will have to be rolled-on. The clearers have been warned of this. We would like to leave open the precise amount of the renewal until later this week. It might help the money market position to handle the renewal in two stages. The first would be a public announcement tomorrow morning that the operation was being rolled-on. Later in the week we would decide on the precise amount. We might need to consider offering the facility to other banks.

Indexation

A paper will be sent to the Treasury this week in preparation for a meeting between JSFF and Middleton next week.

Technical paper on Monetary Control

A draft paper has now been prepared and will be sent to the Treasury later this week.

8 April 1980.