

MARKETS DOSS.

SECRET

Mr. Dwyer

Mr. George

Is it 18 or 19?

As

Mr. Gill - what
shd the 3 mt Govt
rate be?

NOTE FOR WEDNESDAY MEETING

Markets: 2 April 1980 to 8 April 1980

Q

Money

The period contained only three working days owing to the Easter holiday. The market was short on each day, chiefly due to the settlement of purchases of the Long Tap, Treasury 14% 1996, on Wednesday, and to the unwinding of previous purchases of commercial bills by the Bank. Very large to moderate help was necessary every day, taking the form of outright purchases of Treasury and Local Authority bills and of purchases of Local Authority and Eligible bills for resale after the April make-up date. The Bank also lent at MLR on all three days, overnight and over the holiday.

Interbank rates finished the week easier by up to 1 1/16% at the short end and by up to 7/16% at three months and over. The three month rate closed on Tuesday 5/16% down at 18 5/16%.

Rates this morning were fractionally easier.

After showing a generally firmer tendency on Thursday eurosterling rates have also dropped back, the three, six and twelve month rates all falling by 1/4%. The three month rate finished at

18 5/16%.

At the Treasury Bill tender on Thursday the average rate of discount rose by 0.201 to 16.3039.

Local Authority Bonds

Fixed rate one-year bonds were issued at par at 17 1/8% (1/8% lower than last week's peak). Total offerings rose to 14.25 against maturities of 16.8.

Gilts

Despite the continuing rise in US interest rates, the recent improved tone was maintained, with the market remaining reasonably firm in front of the holiday weekend. Longs, in particular, were helped by a growing feeling that a new issue would be deferred until

19 5/16 but it
can 18 1/2

7

18 5/16%

after Easter. Overall, prices edged a little higher on Wednesday, before turning mixed on Thursday: however, trade remained extremely slow, with little demand for stock. After the holiday the market opened steady, and the firmer tendency continued as light buying pushed up prices by up to 3/8 throughout the list: there was little change in the afternoon, although shorts closed slightly below their best. Over the week as a whole, prices of both shorts and longs improved by up to 1/2.

Equities

The market fluctuated narrowly before the holiday, although in very slack conditions prices were largely untested. Yesterday the market opened slightly easier after weekend press comment. Thereafter prices moved lower with little or no buying interest and all sections closed at or around their worst levels. At the close the FT index was 5.9 points down at 426.7, a fall of 5.7 points over the week.

New Issues

One new issue was added to the queue: a rights issue of 75 by the Rio Tinto-Zinc Corporation Ltd. This is the largest single new issue since Pilkington Brother's issue of the same size in December 1979. The queue now totals 142.

(Init.EAJG)

9 April 1980.

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales + , purchases -)

1. Transactions (cash value)

	2.4.80 <u>- 8.4.80</u>	Cal.Qtr and Fin. Year <u>to date</u>	21.2.80 <u>to date</u>
Issue Department			
Purchases/sales			
Next Maturities	-243	- 359	- 454
Other short-dated	<u>+ 12</u>	<u>+ 12</u>	<u>+ 99</u>
	-231	- 347	- 355
Mediums	- 11	- 11	+ 40
Longs and undated	<u>+ 36</u>	<u>+ 388</u>	<u>+ 653</u>
Total Issue			
Department trans-			
actions	-206	+ 30	+ 338
CRND	- 3	- 3	- 4
Redemptions	-	-	- 292
	<u>-209</u>	<u>+ 27</u>	<u>+ 42</u>

2. Redemption Yields (tax ignored)

	<u>1 April</u>	<u>8 April</u>
11 1/2% Treasury 1981	15.59	15.55
8 1/4% Exchequer 1981	15.27	15.12
12% Treasury 1984	15.08	14.86
13 1/4% Exchequer 1987	14.61	14.58
10% Treasury 1992	14.40	14.39
12 1/4% Exchequer 1999	14.60	14.57
11 1/2% Treasury 2001/04	14.36	14.35
12% Exchequer 2013/17	14.00	13.96
3 1/2% War (Flat Yield)	12.15	12.18