

DOMESTIC MARKETS: 10 MARCH - 10 APRIL

*Case 12/4*

#### MONEY MARKETS

Money remained short throughout the period reflecting mainly the excess of tax payments over Government disbursements. The Bank assisted the market by purchasing Treasury Bills, local authority bills and eligible bank bills, some of these on a resale basis. Additionally, the Bank lent at MLR overnight and occasionally, for two and three days.

It was announced on 1 April that the recall of Special Deposits amounting to 1% of eligible liabilities payable on 8 April would be postponed until 16 June. The gilt-edged sale and repurchase facility with the clearers which was due to be unwound originally on 13 March was extended twice: to 14 April and then to 19 May.

#### INTEREST RATES

MLR and the clearing banks' base rates have stayed at 17%

10. 3.80

10. 4.80

#### INTERBANK

7 days	17 1/8 - 17 1/2	17 1/8 - 17 3/8
1 month	17 3/4 - 18	17 3/4 - 17 15/16
3 months	18 - 18 1/8	17 3/4 - 18
6 months	17 5/16 - 17 9/16	17 1/8 - 17 9/16

#### LOCAL AUTHORITY

7 days	18	18 3/16 - 18 1/4
1 month	18 - 18 1/8	18 1/8 - 18 1/4
3 months	18 1/8 - 18 1/4	18 3/16 - 18 1/4
6 months	17 3/4 - 17 7/8	17 7/8 - 18 1/8

#### STERLING CDS

1 month	17 3/4 - 17 7/8	17 11/16 - 17 7/8
3 months	17 13/16 - 17 15/16	17 5/8 - 18
6 months	17 1/8 - 17 1/4	17 - 17 3/8

#### GILT EDGED MARKET

The market remained quietly steady ahead of the Budget during the first half of the period. Initial reaction the Chancellor's speech was uncertain and prices slipped back. However, a firmer tendency then emerged and official supplies of the long tap stock were exhausted on 1 April. The short tap stock was also reactivated towards the end of the period.

No new tap stocks were issued during the period.

## YIELDS BASED ON OFFICIAL CLOSING PRICES

	9 1/2% Treasury 1980	8 1/4% Exchequer 1981	12% Treasury 1983	13% Treasury 1990	15% Treasury 1998	3 1/2% War Loan
11 March	16.51	15.31	15.23	14.75	15.05	12.28
13 March	16.48	15.37	15.23	14.81	15.09	12.37
18 March	16.46	15.42	15.24	14.78	15.05	12.36
20 March	16.43	15.54	15.28	14.73	15.02	12.38
25 March	16.48	15.40	15.23	14.70	14.98	12.33
27 March	16.46	15.59	14.43	14.73	15.01	12.23
1 April	16.45	15.27	15.27	14.57	14.95	12.15
8 April	16.40	15.12	15.03	14.55	14.93	12.18
10 April	16.41	14.93	14.75	14.32	14.73	11.98

## 10 - 14 MARCH

The market opened quietly but prices fell back slightly following the publication of the February banking figures. Thereafter the market was quiet with little price movement. The publication on Friday of the increase in the retail prices index for February and a further rise in US prime rates failed to shake confidence and the market closed quietly firm.

## 17 - 21 MARCH

During the week the market remained quiet and steady ahead of the Budget. A further increase (to 19%) in the US prime rate on Tuesday, following the announcement of President Carter's anti-inflation package at the weekend, had very little effect on the market which was more inclined to anticipate Thursday's Green paper on monetary control. In the event, the Paper had little impact on sentiment and the latest money supply statistics held little surprise, and prices drifted marginally towards the end of the week.

24 - 28 MARCH

A firmer tendency emerged at the beginning of the week amid cautious optimism about the Budget and quite significant gains were recorded at the long end. Initial reaction to the Chancellor's proposals was, however, uncertain and prices slipped back on Thursday as sellers emerged in all sections. On Friday this weaker tendency persisted at first but some recovery in the afternoon caused most of the earlier losses at the shorter end to be regained.

31 MARCH - 3 APRIL

After the weekend, the market was encouraged by hopes of an early end to the steel strike and the firmer trend continued on Tuesday when the long tap - 14 $\frac{1}{2}$ % Treasury 1996 - was reactivated at 50 1/16, supplies being exhausted at 50 5/16 (5/16 premium). Prior to the holiday the market was mixed in extremely slow trading.

8 - 10 APRIL

The market opened quiet and steady on Tuesday and the firmer tendency resumed. This continued throughout Wednesday and sizeable demand was seen in all sections of the market; the short-dated tap stock, 13 1/2% Exchequer 1983, was reactivated at 95 1/2 and 95 9/16. Further demand for the short tap was seen yesterday as the market took encouragement from the March banking figures.

## OFFICIAL STOCK TRANSACTIONS

(Sales + / Purchases - )

	10 March - 10 April	1980/81 Financial Year to date
ISSUE DEPARTMENT		
Next Maturities	- 425.4	- 360.0
Other Short	+ 313.3	+ 291.8
Medium dated	+ 50.9	+ 10.1
Longs and undated	+ 729.7	+ 447.8
	<hr/>	<hr/>
Total ISSUE DEPARTMENT TRANSACTIONS	+ 668.5	+ 389.7
CRND	- 5.5	- 4.6
Cash Redemptions	- 7.2	- 0.7
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	+ 655.8	+ 384.4
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## EQUITY MARKET

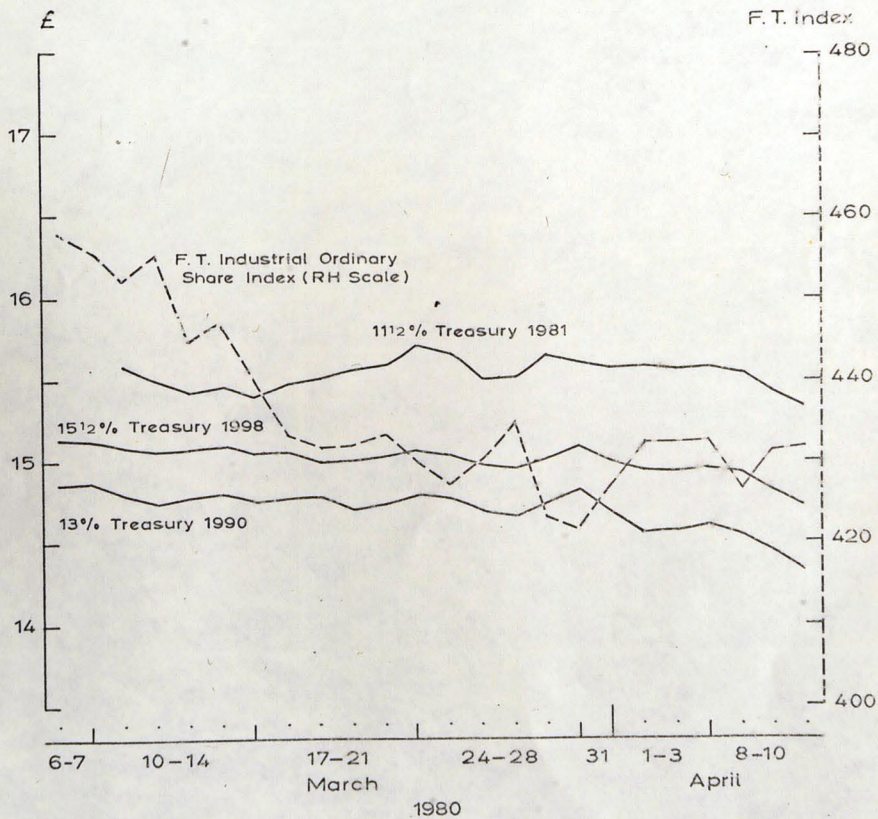
The market was depressed during the first half of the period amid interest rate fears and concern at the general economic situation. The immediate effect of the Budget speech was to reinforce this concern and on Thursday, 27 March the FT index fell by 12 points, with brewery, banking and oil shares particularly weak. As with gilts, however, sentiment improved after the following weekend and since then prices have been little changed on balance. The FT index closed at 431.8 on 10 April, compared with 452.3 on 10 March.



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Gross Redemption Yields on Gilt-edged Stocks  
F.T. Share Index



Markets  
Doss.

FOR BASLE.

62 13/4

Financial Markets Supplement as at  
4.00 p.m. on Friday, 11 April 1980

Treasury Bill Tender

Offered: £300,000,000.  
Average Tender Rate: 16.1808.  
Lowest Price Accepted: £95.960.  
Minimum Lending Rate: 17%.

Parallel Market Rates

Inter-bank - 7 days: 17-17½ 1 month: 17 9/16-17 13/16 3 months: 17 3/8-17½.  
Local Authority - 7 days: 18-18½ 1 month: 17½ -18½ 3 months: 18  
Sterling CD's - 1 month: 17 3/16-17½ 3 months: 17 3/16-17½.

The Gilt-edged Market

The market was quietly firm throughout the day, shorts gaining ¼ and longs up to ¼. A new issue of long-dated stock-£1,000 mn. of 13½ Treasury Stock 2004-2008, partly paid - announced at 3.30 p.m., was well received by the market.

Official Stock Transactions: £490.5 mn. net sales (of which £346.6 mn. call on 14 Treasury Stock 1996).

The Equity Market

The market remained quiet throughout the day, with leading industrials marginally up by the close.

F.T.Index: (at 3.00 p.m.) 433.0 (up 1.2).

## SECRET

£ mns.

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Gilt sales (+)/Purchases (-)Actual and Required 1980/81  
(as at close of business 10 April 1980)

<u>Banking Months</u>	<u>Total Net Sales</u>	<u>(of which non-bank private sector)</u>	<u>Net non-bank private sector sales required to meet £M3 target*</u>
Feb.	+ 296	(+ 428)	
March	+ 2	(+ 197)	+ 455
April: to date	+ 418	(+ 428) <sup>(1)</sup>	+ 455
Redemption of stock held by market	- 8 <sup>(2)</sup>		
Instalments on part paid stock	+ 354	(+ 346) <sup>(1)</sup>	
May: redemption of stock held by market	- 224 <sup>(3)</sup>	(- 87) <sup>(1)</sup>	+ 455
June: redemption of stock held by market	- 423 <sup>(4)</sup>	(- 420) <sup>(1)</sup>	+ 455
July			+ 455
Aug.			+ 455
Sept.			+ 455
Oct.			+ 455
Nov: redemption of stock held by market	- 624 <sup>(5)</sup>	(- 454) <sup>(1)</sup>	+ 450
Dec.			+ 450
Jan: redemption of stock held by market	- 423 <sup>(6)</sup>	(- 338) <sup>(1)</sup>	+ 450
Feb: redemption of stock held by market	- 394 <sup>(7)</sup>	(- 393) <sup>(1)</sup>	+ 450
	- 1,322	(- 721)	+ 5,440

(1) Broad estimate.

(2) Redemption of 9% Treasury Convertible 1980.

(3) Redemption of 9 1/2% Treasury Stock 1980.

(4) 5 1/4% Funding 1978/80 (-189) and 3 1/2% Treasury 1977/80 (-234)

(5) 13% Exchequer 1980

(6) 11 1/2% Treasury 1981

(7) 3 1/2% Treasury 1979/81

\* Figures are monthly averages based on the forecast of sales to non-bank private sector contained in the Financial Statement and Budget Report forecast.

Chief Cashier's Office,  
Markets Post (4564)  
11 April 1980.