

NOTE FOR WEDNESDAY MEETING

MARKETS: 9 APRIL 1980 TO 15 APRIL 1980

Money

Conditions in the money market have been extremely short throughout the week, chiefly due to Friday's final call on 14% Treasury Stock 1996, and to further substantial gilt sales on almost every day. Additional unfavourable factors included net tax payments, which worsened Tuesday's shortage, and the unwinding of a previous purchase of Commercial bills by the Bank. Moderate to exceptionally large help was necessary on each day, taking the form of purchases of Treasury and Local Authority bills outright and of a purchase of eligible bills for resale in early May. The Bank also lent moderate to exceptionally large amounts overnight at MLR on every day but Wednesday. Further assistance was given by the arrangement on Friday of a second £500m gilt purchase and resale agreement with the Clearers. The first agreement, which was due to be unwound on Monday, has been extended for a further month.

Interbank rates have tended to fall over the week but the tightness in the money market has kept very short rates firm. The three month rate closed on Tuesday  $3/4\%$  easier at  $17\ 3/8\%$ .

Rates this morning showed little change.

Eurosterling rates have also fallen sharply, especially at the longer end with the six month rate dropping by  $1\ 1/2\%$  to  $16\ 7/8\%$ . The three month rate finished  $15/16\%$  down at  $17\ 3/8\%$ .

At the Treasury Bill tender the average rate of discount fell by 0.1235 to 16.1803.

Local Authority Bonds

Reflecting the general decline in market rates, the coupon on fixed rate one-year bonds dropped by  $1\%$  to  $16\ 1/8\%$  (the lowest level since mid-February). Issues totalled 11.25 against maturities of 17.65.



Gilts

The market advanced strongly during the week until yesterday when profit-taking was seen.

At the beginning of the week large demand was evident in all sections and the short tap, 13 1/2% Exchequer 1983, was reactivated at 95 1/2. The firmer trend continued thereafter, with further sales of the short tap, as the market took encouragement from the March banking figures and the additional purchase and resale agreement with the Clearers. The announcement on Friday afternoon of a new long-dated issue, 13 1/2% Treasury 2004/08, was well received. After the weekend the market continued to surge higher amid hopes of lower interest rates, and longs recorded gains of up to 1 1/2; the short tap was exhausted at 95 3/4; and there was also heavy demand for the low coupon tap, 3% Exchequer 1984. Yesterday, however, profit-taking trimmed much of Monday's gains and business was on a much smaller scale though there was further demand for the low coupon tap.

Over the week as a whole the longer shorts rose by up to 1 1/8 in places and longs generally by around 2 1/2.

Equities

Encouraged by the better tone in gilts, equities opened the week on a firm note, although trading was on a small scale. The performance during the rest of the week was generally dull although the FT index made modest gains on each day except yesterday when it fell slightly to 437.8 (an increase of 11.1 over the week).

New Issues

Only one new issue was added to the queue: a placing of shares of 13 in Westpool Investment Trust Limited. The proposed rights issue of 75 by Rio Tinto-Zinc Corporation notified last week has been cancelled and the queue now totals 66.

(Int.EAJG)



Official Stock Transactions and Gilt-Edged Yields

(£ million: sales + , purchases - )

1. Transactions (cash value)

	9.4.80 <u>-15.4.80</u>	Cal.Qtr and Fin. Year <u>to date</u>	21.2.80 <u>to date</u>
Issue Department			
Purchases/sales			
Next Maturities	- 24	- 383	- 478
Other short-dated	+ 705	+ 717	+ 804
	+ 681	+ 334	+ 326
Mediums	+ 32	+ 21	+ 72
Longs and undated	+ 440*	+ 828	+ 1,093
Total Issue			
Department trans- actions	+1,153	+ 1,183	+ 1,491
CRND	- 2	- 5	- 6
Redemptions	-	-	- 292
	<u>+1,151</u>	<u>+ 1,178</u>	<u>+ 1,193</u>

\* Including + 353 from final call on 14% Treasury 1996

2. Redemption Yields (tax ignored)

	<u>8 April</u>	<u>15 April</u>
11 1/2% Treasury 1981	15.55	15.23
8 1/4% Exchequer 1981	15.12	15.04
12% Treasury 1984	14.86	14.47
13 1/4% Exchequer 1987	14.58	14.31
10% Treasury 1992	14.39	14.05
12 1/4% Exchequer 1999	14.57	14.20
11 1/2% Treasury 2001/04	14.35	13.99
12% Exchequer 2013/17	13.96	13.68
3 1/2% War (Flat Yield)	12.18	11.65



## SECRET

£ millions

## NEW ISSUES OF 3 OR OVER

Date	Government, etc.	Other Fixed Interest (excl. Convertibles)	Convertible Stocks	Others
1980				
Current Week (16/4-18/4)				Westpool Investment Trust Ltd (placing (17/4) 13
Week 2 (21/4-25/4)			North British Properties Ltd. (rights) (23/4) 3	Unitech Ltd. (rights) (22/4) 3  Linfood Holdings Ltd. (rights) (24/4) 13
Week 3 (28/4-2/5)				Warrior Exploration Ltd. (offer for sale) (30/4) 6
Week 4 (6/5-9/5)				Peerless Stampings Ltd. (offer for sale) (7/5) 4
Week 5 (12/5-16/5)			NSS Newsagents Ltd. (rights) (13/5) 4	Carless, Capel & Leonard Ltd. (rights) (15/5) 7
Week 6 (19/5-23/5)				
Week 7 (27/5-30/5)				Oriflame International S.A (Offer for sale) (29/5) 3
Forthcoming				Norcross Ltd. (rights) (27/6) 10
		TOTAL	TOTAL 7	TOTAL 59
*Issues announced:	1977	118		815
	1978	60		959
	1979	162		946
	1980 to date	29		63
*Issues completed	1977	143		784
	1978	63		910
	1979	150		979
	1980 to date	29		61

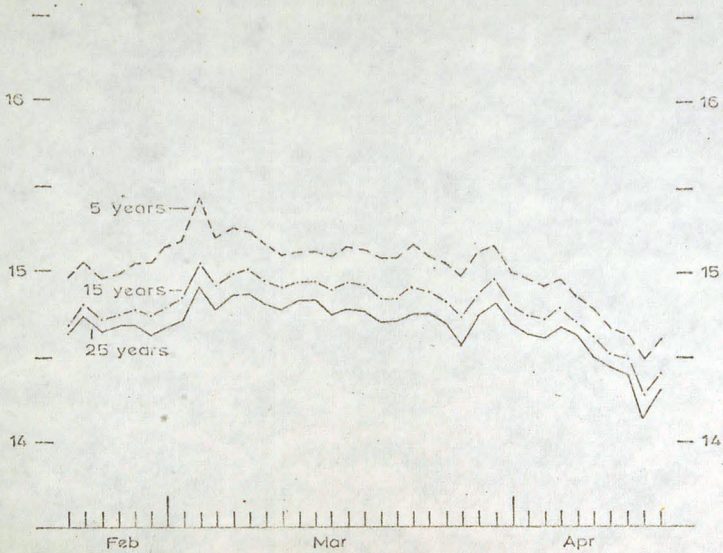
\*Includes issues of less than 3.

16 April 1980



Gilt-edged yields (F. T. high coupon)

Yields



Interbank rates

