

SECRET

NOTE FOR WEDNESDAY MEETING

MARKETS: 16 APRIL 1980 TO 22 APRIL 1980

Money

Conditions in the money market have remained short this week, most notably before the weekend when the tightness was chiefly due to net tax payments and to sales of the new long-dated stock, 13 1/2% Treasury 2004/08, which was well oversubscribed at issue on Thursday. The repayment of previous market advances by the Bank was an additional adverse factor. Help has been given by the Bank on each day, taking the form of purchases of Treasury and Local Authority bills outright and of eligible bills for resale in late April and at the beginning of May. In addition moderate to exceptionally large lending was necessary on every day except for Tuesday, when conditions eased as the net Exchequer position swung in the market's favour.

Interbank rates rose sharply at one month and under on Thursday but subsequently fell back, finishing with reduced gains of up to 3/4%. Longer rates have tended to fall more steadily, particularly the six and twelve-month rates which both finished 1/4% down. The three month rate fell by 1/16% over the week to 17 7/16%.

Rates this morning were mostly a little easier.

Eurosterling rates have followed a similar pattern, remaining steady at one month while longer maturities have fallen by up to 5/8%. The three month rate ended the week 1/8% down at 17 3/8%.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.0632 to 16.1176.

Local authority bonds

The coupon on fixed rate one-year bonds continued its recent decline, falling by 1/8% to 16%. Issues totalled 16.25 against maturities of 12.0.

Gilts

Early losses were soon regained on Wednesday and the market was further encouraged in late trading by news that Chase Manhattan had cut their prime rate from 20% to 19 3/4%. For most of the following day the market was quietly firm awaiting details of the allotment of 13 1/2% Treasury 2004/08 which was oversubscribed at a price of 95.75 (0.75 premium); the money supply and trade figures for March had no impact. On Friday some early selling was seen and at one stage the new stock had fallen to 3/8 discount, but it later recovered to 1/4 premium as news of a further reduction in US prime rates to 19 1/2% sustained a general market recovery. After the weekend, the firmer trend continued in all sectors and the low-coupon tap, 3% Exchequer 1984, was exhausted on Monday. But yesterday there was considerable profit-taking and longs lost as much as 7/8.

Over the week as a whole, prices of shorts rose by about 1/8, while longs also recorded small gains.

Equities

Prices improved on Wednesday on revived institutional demand, but with no follow-through trading for the rest of the week was generally quiet and dull. The FT index fell by 3.5 over the week to 434.3.

New issues

Two new issues were added to the queue: a rights issue of 10 by Mallison-Denny Ltd. and an offer for sale of 9 by Ashe Chemical Co.Ltd. The queue now totals 69.

(Init.EAJG)

23 April 1980

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales + , purchases -)

1. Transactions (cash value)

	16.4.80 <u>-22.4.80</u>	Cal.Qtr and Fin. Year <u>to date</u>	21.2.80 <u>to date</u>
Issue Department			
Purchases/sales			
Next Maturities	- 41	- 425	- 519
Other short-dated	<u>+ 152</u>	<u>+ 869</u>	<u>+ 956</u>
	+ 111	+ 444	+ 437
Mediums	- 45	- 24	+ 27
Longs and undated	<u>+ 183*</u>	<u>+ 1,012</u>	<u>+ 1,276</u>
Total Issue			
Department trans-			
actions	+ 249	+ 1,432	+ 1,740
CRND	- 3	- 7	- 9
Redemptions	-	- 1	- 292
	<u>+</u>	<u>+</u>	<u>+</u>
	+ 246	+ 1,424	+ 1,439

* Including + 200 from deposit on 13 1/2% Treasury 2004/08

2. Redemption Yields (tax ignored)

	<u>15 April</u>	<u>22 April</u>
11 1/2% Treasury 1981	15.23	15.13
8 1/4% Exchequer 1981	15.04	14.96
12% Treasury 1984	14.47	14.41
13 1/4% Exchequer 1987	14.31	14.22
10% Treasury 1992	14.05	14.04
12 1/4% Exchequer 1999	14.20	14.26
11 1/2% Treasury 2001/04	13.99	14.03
12% Exchequer 2013/17	13.68	13.62
3 1/2% War (Flat Yield)	11.65	11.58

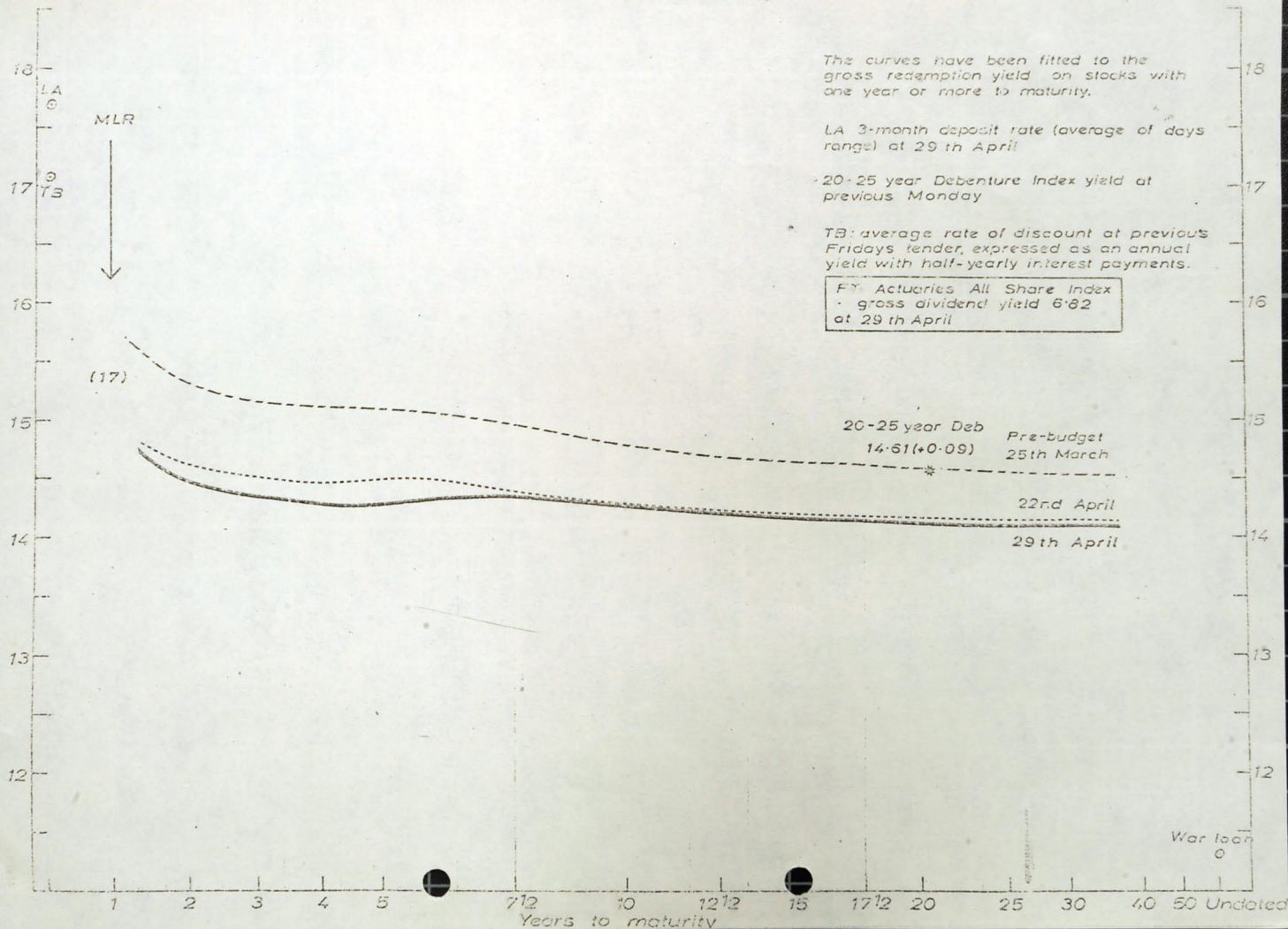
NEW ISSUES OF 3 OR OVER

Date 1980	Government, etc.	Other Fixed Interest (excl. Convertibles)	Convertible Stocks	Others
Current Week (23/4-25/4)			North British Properties Ltd. (rights) (23/4) 3	Linford Holdings Ltd. (rights) (24/4) 13
Week 2 (28/4-2/5)				Warrior Exploration Ltd. (offer for sale) (30/4) 6
Week 3 (6/5-9/5)				Peerless Stampings Ltd. (offer for sale) (7/5) 4
Week 4 (12/5-16/5)			NSS Newsagents Ltd. (rights) (13/5) 4	Carless, Capel & Leonard Ltd. (rights) (15/5) 7
Week 5 (19/5-23/5)				<u>Mallison-Denny Ltd.</u> (rights) (22/5) 10
Week 6 (27/5-30/5)				Oriflame International S.A (Offer for sale) (29/5) 3
Week 7 (2/6-6/6)				Ashe Chemical Co. Ltd. (Offer for sale) (12/6) 9
Forthcoming				Norcross Ltd. (rights) (27/6) 10
		TOTAL	TOTAL 7	TOTAL 62

*Issues announced:	1977	118	815
	1978	60	959
	1979	162	946
	1980 to date	29	76

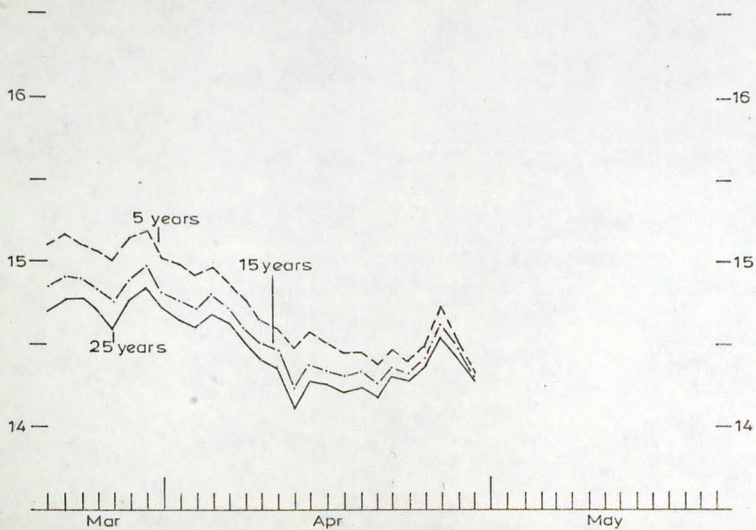
*Issues completed	1977	143	784
	1978	63	910
	1979	150	979
	1980 to date	29	64

*Includes issues of less than 3.



Gilt edged yields (F.T high coupon)

Yields



Interbank rates

