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WEEK ENDED 30 APRIL 1980

Money

Conditions in the money market have been short throughout the week, chiefly due to the delay, arising from clearing difficulties caused by the bank messengers' strike, of tax payments originally expected on 22 and 23 April. These payments finally cleared on Thursday and Friday, resulting in substantial revenue swings against the market and severe shortages on both days which in part were carried through to the current week by the Bank's lending over the weekend. The unwinding of a previous purchase of commercial bills by the Bank was an additional adverse factor on Wednesday.

Help was given by the Bank on every day, taking the form of purchases of Treasury and Local Authority Bills outright and of Local Authority and Eligible Bank Bills for resale on 12 and 14 May. Large to exceptionally large lending overnight at MLR has also been necessary every day.

Interbank rates have tended to remain firm at one month and under throughout the week, finishing with increases of up to 5/16%. Longer rates were firm on Friday and Monday, reflecting adverse reactions to the Iranian situation, but have since fallen back. The three month rate finished unchanged at 17 1/4%.

Rates this morning are firmer at one month and under: easier at longer maturities.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.0547 to 16.0629.

Gilts

Initial nervousness on developments in Iran gave way after the weekend to renewed confidence encouraged by hopes of lower interest rates.

On Thursday, but more sharply on Friday, prices fell in response to the tensions in Iran: over the two days shorts declined by about 1 1/8 and longs by up to 1 5/8.

After the weekend, however, the market rebounded sharply helped by the strength of sterling and, on Monday afternoon, by the announcement that two US banks had cut prime rate to 18 1/2%. Rises of 1 or more were seen in all sections and similar gains were made at the long end on Tuesday as hopes grew of lower domestic interest rates. Yesterday, the market remained very firm but profit-taking and worries over the Iranian embassy siege in London left prices below the best by the close.

Over the week as a whole yields on shorts fell by about 1/4% and those on mediums and longs by 1/8% and 1/16% respectively.

This morning quieter and steady.

Equities

After little change the previous day, prices were marked down sharply on Friday morning on the Iranian situation and, after a brief rally, drifted lower for the rest of the day. As with gilts, the market was much firmer after the weekend although business in many leading shares remained on a small scale. Oil and property shares were, however, in particular demand. The FT index closed yesterday at 440.4, having gained nearly 13 points since the weekend but only 5.2 points over the week as a whole.

This morning quieter and steady.

Foreign Exchange

The failed attempt to rescue the American hostages in Iran made the market intensely nervous for a time, but interest rates were probably the more important cause of the dollar's downward drift. Sterling enjoyed mixed fortunes; at 74.1 on Friday and Monday the effective rate was the highest since the index was rebased, but later selling brought it back to 72.6, a net fall of 1.1% in the week.

After a recovery in late trading last night sterling fell again this morning in a thin May Day market; the dollar is steady.

Gold

The Iranian adventure boosted the gold price to \$552 at the fix on Friday morning (and the metal subsequently traded at \$564), but it fell back to fix at \$518 on Wednesday afternoon, a net rise of \$11 1/2 on the week.

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