

Gilt-edged

SECRET

via

Mr. Drake Mr. Sanderson Mr. [unclear] Mr. [unclear]  
- might like to [unclear]  
[unclear] [unclear] [unclear] [unclear]  
14/5 [unclear]

12.5.80

FOR BOOKS

DOMESTIC MARKETS AND POLICY THIS WEEK

Grateful to know what X overleaf  
are pl.

MONETARY AGGREGATES

The figures for the first 2 weeks of Banking May are not encouraging. There was a continued sharp rise in bank lending (although this is unlikely to be maintained over the rest of the month) and the CGER was in deficit.

MONEY MARKETS

At the Tender the pro rata price fell by 5 1/2p. The average rate of discount rose from 16.01 to 16.15.

The money market forecast up to make up day is as follows:

M.-300	Tu.-20	W.-90	Th.-200	F.-230	Emns.
M.-90	Tu.-80	W.-240			
Total -1,250					

The unwinding of previous commercial bill repos accounts for 860 of this shortage. We may need to do some commercial bill repos over make up day but hope to reduce the amount from last month's 600. Large commercial bill repos should not be necessary to ease the banks' reserve asset position which will have been helped by the smallness of the outside subscription to the latest gilt.

GILT EDGED MARKET

After its recent ebullience the market has become uncertain following last Wednesday's statement about the interest rate outlook by the Chancellor. The mood now appears to be for some consolidation.

CASH RATIO PAPER

Treasury officials are content with the substance of the Cash Ratio Paper. The Paper will be revised slightly and the revised version will be shown to the Financial Secretary.

JGD 12/56 ama 14/52 DAFS 14/54

## GREEN PAPER

X The Treasury have accepted the Bank's proposals for consulting the banks. The Money Study Group will discuss the Green Paper on Friday.

## ANNOUNCEMENTS

Monday	CGBR (April)
Thursday	April money figures
Friday	Trade figures
	RPI

12 May 1980.