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MARKETS

WEEK ENDED 21 MAY 1980

Money

The easing of conditions in the money market which began last week continued, due mainly to a largely favourable net Exchequer position. The market was also helped by the fact that no advances by the Bank remained outstanding at the end of last week. Against this, the 30% call on 13 1/2% Treasury Stock 2004-08 on Friday was an adverse factor, as was the unwinding, on Thursday, Monday and Tuesday, of previous purchases of commercial and Local Authority bills by the Bank.

Help was given by the Bank on every day but Thursday, the first day since 19 March that assistance has been unnecessary. The help took the form of purchases of Treasury and Local Authority bills outright, together with small to moderate lending overnight at MLR on Monday, Tuesday and Wednesday.

With easier conditions persisting, interest rates at one month and under have tended to drift lower over the week, the seven day rate finishing 1/4% down. The overnight rate fell by 1 3/8% on Wednesday, which was makeup day. Longer rates remained firm; the three month rate finished unchanged at 17% while six month and one year rates rose by 1/4%.

Rates at three months and under are firm this morning; longer rates have eased a little.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.0048 to 16.1427.

Gilts

Although unsettled for much of the week the market displayed resilience in the face of a number of discouraging monetary and economic statistics and closed on a firm note.

The market was easier at the opening on Thursday and trading was on a small scale all day ahead of the imminent call on 13 1/2% Treasury 2004-08. Confirmation in the afternoon of the April money and bank lending figures occasioned some fresh losses; but these were soon recovered only to be lost again following the Prime Minister's warning against expectations of an early cut in MLR. The market remained slightly unsettled at first on Friday, but a rally later developed which left prices little changed on the day, the rise in retail prices and trade figures for April having little impact.

After the weekend the market opened quietly firm on Monday. But prices soon began to drift lower before receiving some encouragement in the afternoon from the news of a further cut in US prime rate to 16%. Tuesday saw a similar pattern with some improvement in the afternoon after initial light selling. Yesterday the market began quietly steady reflecting the strength of sterling and by lunchtime had made gains of up to 1/2. Little change was seen in the afternoon and the market closed around the best levels.

Over the week as a whole yields on shorts were little changed while those on mediums and longs rose by more than 1/16%.

This morning steady.

Equities

Trading was generally dull during the week and prices drifted lower. Main interest was again provided by oil shares which,

after buoyant demand in previous weeks, encountered heavy profit-taking on Friday and Monday on news of lower production estimates for the North Sea Ninian Field. Since Monday the sector has been generally steady.

Over the week as a whole the FT index fell by 8.4 to 431.6.

This morning steady.

Sterling has been in demand again this morning, opening at 74.3 in effective terms; despite another fall in interest rates, the dollar is steady in other centres.

Foreign Exchange

Strong buying interest on Wednesday caused sterling's effective index to rise a whole point in the period to 74.1, equal to the highest recorded since the index was rebased. The dollar turned in a mixed performance, closing rather lower in most centres; interest rates fell again.

Gold

Gold traded comparatively narrowly, although \$500 was tested. Over the week the price fell \$11 1/2 to \$513 1/2.

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