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FOR BOOKS

DOMESTIC MARKETS AND POLICY THIS WEEK

MONETARY AGGREGATES

A tentative first guess (the computer having failed) for M3 in Banking May is an increase of around 1 1/2%. Among the components bank lending is shown as -50. These figures if confirmed would raise questions for policy in the short term, which are addressed in a separate note.

MONEY MARKETS

At the tender the pro rata price rose by 1p and the average rate of discount fell from 16.09 to 16.06. The money market forecast for the coming week is as follows:

£ mns.

M.+250 Tu.-100 W.-340 Th.= Fr.-440
Total -630

For the remainder of Banking June there is a shortage of 1,650 which includes the presently scheduled unwinding of special operations amounting to 1,660.

GILT EDGED MARKET

After early firmness, prompted by some foreign buying, which exhausted the 1992 stock, the market softened from the middle of the week. The announcement on Friday of the new 1994 issue has however been received calmly.

ANNOUNCEMENTS

- Tuesday Foreign Exchange Reserves
- Thursday Action on the special help to the banking system due to mature from 12-17 June. A separate note will be circulated on Wednesday morning.

2 June 1980