

clear to
out - Redford
302, inc

ED
Mkt Days



SECRET

NOTE FOR WEDNESDAY MEETING

MARKETS: 28 MAY 1980 TO 3 JUNE 1980

Money

Conditions in the money market were easy this week, chiefly due to a net Exchequer position which was almost consistently, and on Wednesday and Friday very substantially, in the market's favour. Assistance by the Bank was necessary only on Thursday, when a small number of Treasury Bills were bought; on Friday, Monday and Tuesday, action to reduce market suppluses was taken, in the form of small to moderate Treasury Bill sales.

With easy conditions prevailing rates at up to seven days fell steadily over the week. Rates at one and three months were generally firmer, though these also finished slightly down, the three month rate falling by 1/16% to 17 1/16%. Six and twelve month rates continued to show their recent upward tendency, both finishing 1/16% higher.

Rates this morning mostly easier.

Eurosterling rates showed a firm tendency at all maturities, particularly on Monday and Tuesday. These rates are generally higher than domestic interbank rates at present, most significantly at one month where the difference by the end of this week was 7/16%: the three month rate however finished in parity at 17 1/16%.

?
Nothing
in it
this am.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.0339 to 16.0608.

Local authority bonds

Fixed rate one-year bonds were issued with a coupon of 15 1/2% at par, compared with 15 3/8% at 99 15/16 last week. Issues totalled £11.75 mn. (£15.65 mn. last week) against maturities of £8.5 mn.

Gilts

For much of the week the market was unsettled: foreign buying appeared at least temporarily to have dried up - indeed some foreign profit-taking was seen, and this allowed the growing caution of domestic investors to show through. Yesterday, however, saw a good recovery.

After the gains of the previous week, profit-taking developed on Wednesday and, with sterling weaker, longs had lost up to 1/2 by the close. The following day the market was steadier and shorts improved slightly on further evidence of falling US interest rates. Tenders for the new low coupon stock, 3% Treasury 1985, were minimal. Business was on a small scale and remained so on Friday when prices tended to drift lower. Further losses were seen in mediums and longs in after-hours trading following the announcement of a new medium-dated stock, £1,000 mn. of 13 1/2% Exchequer 1994. This easier tendency was given further impetus on Monday by unfavourable press comment about the industrial and monetary outlook over the weekend. Yesterday, however, much of these losses was regained with the market firm from the outset and taking further encouragement in the afternoon from the Prime Minister's remarks about the possible effects on interest rates of the EEC settlement.

Over the week as a whole, prices of shorts fell by around 3/8 and longs by around 1.

Equities

The downward drift in prices continued during the first four days checked only briefly on Thursday by better than expected results from Beechams and Courtaulds. By Monday the FT index had reached a 1980 low of 412.7. Yesterday, however, saw a revival of investment demand amid hopes of a relaxation of monetary policy following the EEC settlement and the index rose by 7.3 to 420.0, leaving it unchanged over the week as a whole.

New Issues

Five new issues were added to the queue. These included a private placement of £13 mn. by Finance For Industry with a foreign lender and a placing of £25 mn. of convertible bonds by a Japanese company, The Daiei Inc. (The latter is the first of its kind and future offerings in the domestic market are to be restricted to one every other month.) Also added to this week's total were rights issues of £5 mn. and £6 mn. by Candecca Resources and an engineering firm Anderson Strathclyde, and an offer of £4 mn. of redeemable preference stock by a water company. The queue now totals £321 mn.

Lloyds Bank is to raise £50 mn. through an issue of 10-year euro-sterling floating rate notes with a margin of 1/4% over 6-month LIBOR. The issue will be made through a wholly-owned overseas subsidiary, Lloyds Eurofinance N.V.

(Init.EAJG)

28 May 1980

SECRET

£ millions

NEW ISSUES OF 3 OR OVER

Date 1980	Government, etc.	Other Fixed Interest (excl. Convertibles)	Convertible Stocks	Others
Current week (3/6-6/6)		Finance For Industry Limited (6/6) 13		Land Securities Investment Trust Ltd. (rights) (5/6) 100
Week 2 (9/6-13/6)			British Home Stores Ltd. (rights) (13/6) 25	Carless, Capel & Leonard Ltd. (rights) (10/6) 7
Week 3 (16/6-20/6)		South Staffordshire Waterworks Company (tender) (19/6) 7	The Dai-ichi Inc. (placing) (16/6) 25	Candecca Resources Ltd. (rights) (16/6) 5
Week 4 (23/6-27/6)				Harrisons & Crosfield Ltd. (rights) (20/6) 45
				Ferranti Ltd. (rights) (24/6) 25
				Anderson Strathclyde (rights) (26/6) 6
				Norcross Ltd. (rights) (27/6) 10
Week 5 (30/6-4/7)		Sunderland and South Shields Water Company (tender) (1/7) 3		
Week 6 (7/7-11/7)				
Week 7 (14/7-18/7) Forthcoming		Newcastle and Gateshead Water Company (tender) (5/8) 6		The Charterhouse Group Ltd. (offer for sale) (24/7) 40
		Lee Valley Water Company (tender) (7/10) 4		
		TOTAL 33	TOTAL 50	TOTAL 238

*Issues announced:	1977	118	815
	1978	60	959
	1979	162	946
	1980 to date	41	118
*Issues completed	1977	143	784
	1978	63	910
	1979	150	979
	1980 to date	40	110

*Includes issues of less than 3.

3 June 1980

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales + , purchases -)

1. Transactions (cash value)

	28.5.80 <u>- 3.6.80</u>	Cal.Qtr and Fin. Year <u>to date</u>	21.2.80 <u>to date</u>
Issue Department			
Purchases/sales	-	-	-
Next Maturities	-	603	699
Other short-dated	<u>- 45</u>	<u>+ 954</u>	<u>+ 1,042</u>
	- 45	+ 351	+ 343
Mediums	-	+ 200	+ 250
Longs and undated	<u>- 19</u>	<u>+ 1,305</u>	<u>+ 1,571</u>
Total Issue			
Department trans-			
actions	- 64	+ 1,856	+ 2,164
CRND	- 5	+ 25	+ 23
Redemptions	- 5	- 211	- 501
	<u>- 74</u>	<u>+ 1,670</u>	<u>+ 1,686</u>

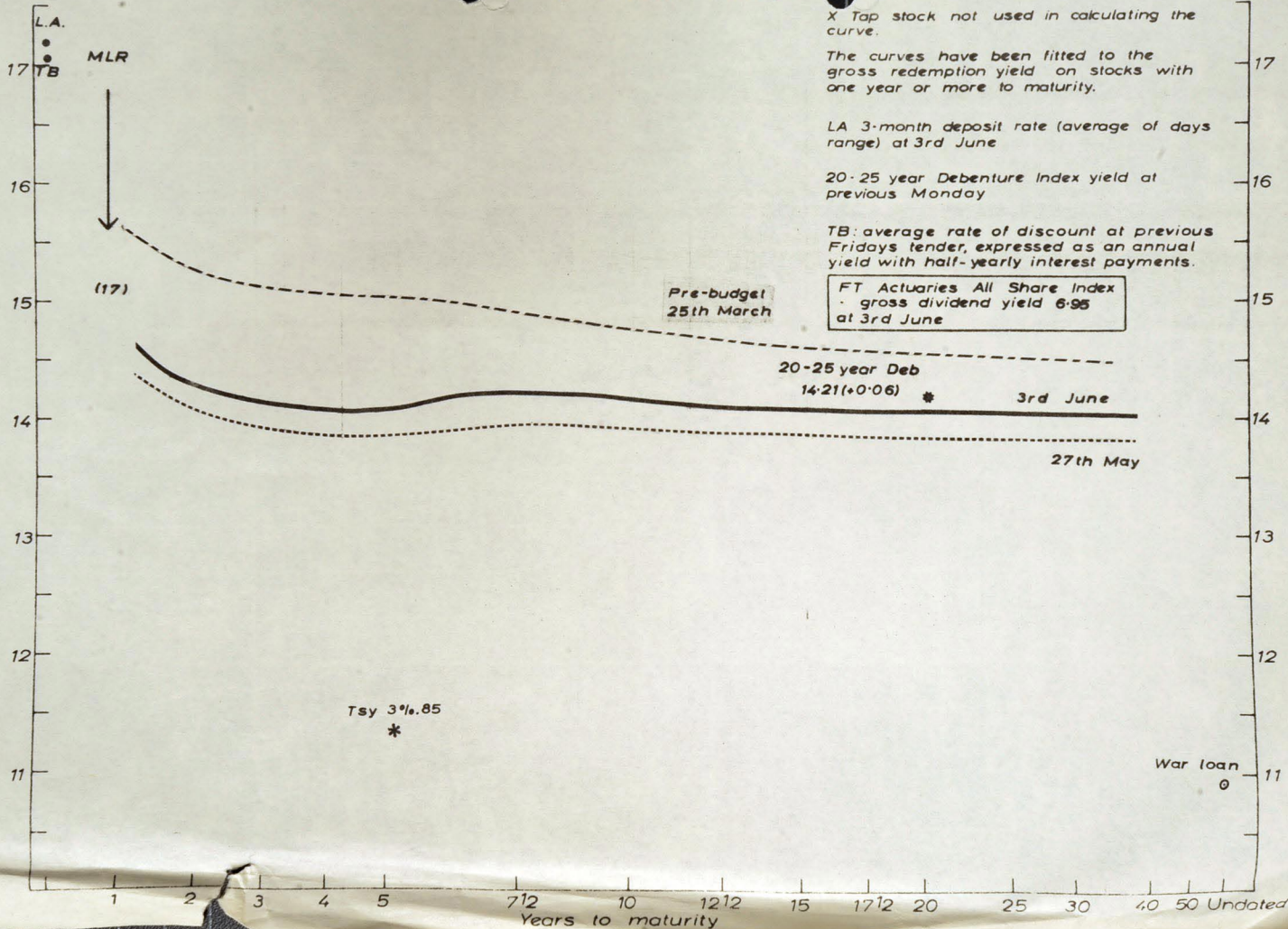
2. Redemption Yields (tax ignored)

	<u>27 May</u>	<u>3 June</u>
11 1/2% Treasury 1981	14.59	14.92
8 1/4% Exchequer 1981	14.00	14.03
12% Treasury 1984	13.81	13.92
13 1/4% Exchequer 1987	13.75	14.00
10% Treasury 1992	13.71	13.91
12 1/4% Exchequer 1999	13.88	14.09
11 1/2% Treasury 2001/04	13.66	13.87
12% Exchequer 2013/17	13.25	13.42
3 1/2% War (Flat Yield)	10.56	10.91

Per cent

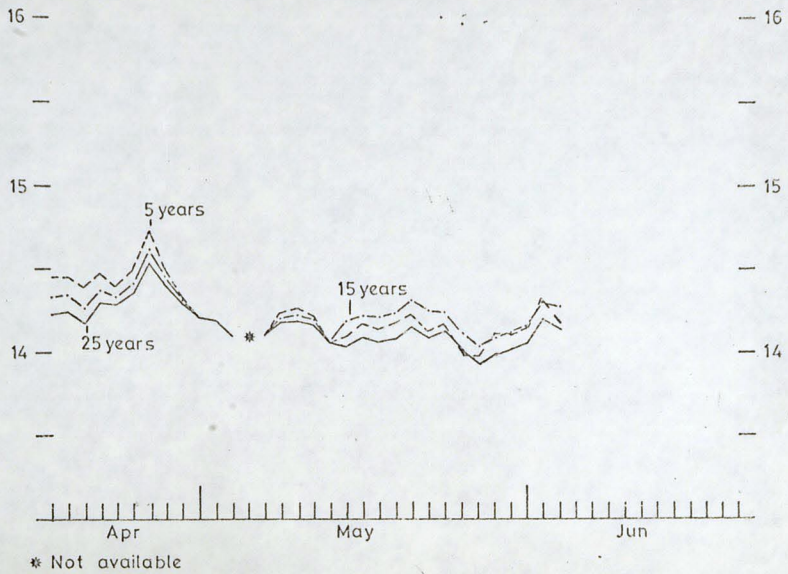
Time Yield Curves of British Government Stocks

4th June 1980



Gilt edged yields (F.T. high coupon)

Yields



Interbank rates

