

Markets  
Ross.

18. 6.80.

NOTE FOR WEDNESDAY MEETING

MARKETS: 11 JUNE 1980 TO 17 JUNE 1980

MONEY

Conditions became considerably tighter during the week, particularly on Thursday and Tuesday when the purchase and resale agreements with the clearers were unwound. Tuesday's shortage was exacerbated by the settlement of heavy gilt sales and the maturity of local authority bills previously purchased by the Bank. The other main adverse factor was Friday's call on 13½% Exchequer 1992. Against this, the net exchequer position was generally favourable and the market benefited on Monday from the redemption of two stocks.

Assistance by the Bank was necessary on every day taking the form of purchases of Treasury and local authority bills (on Wednesday the former only). On Tuesday an extremely large amount was also lent at MLR until Thursday, while moderate and small amounts were also lent on Friday and Monday respectively (the latter for two days).

Interbank rates at three months and under tended to firm during the week, particularly at the very short end: the overnight rate finished ¼% higher having jumped sharply on Tuesday. The three month rate rose by 3/16% to 17 1/16%. Longer rates eased slightly.

Rates this morning generally easier.

Euro-sterling rates were little changed, the three month rate finishing 1/16% lower at 16 5/8%.

LOCAL AUTHORITY BONDS

The coupon on fixed rate one-year bonds fell by a further 3/8% to 14 1/8% the lowest level since end-October 1979. Issues totalled £16.8 mn. (£14.5 mn last week) against maturities of £17.4 mn.

IP 18/6<sup>4</sup>

## GILTS

After an uncertain start the market became very firm and the medium tap was exhausted.

The market was extremely subdued on Wednesday following the publication on Tuesday of the disappointing May banking figures. Firmer conditions re-emerged on Thursday, however and the market took further encouragement on Friday from the reduction from 12% to 11% in the Federal Reserve's discount rate and the fairly modest increase in the latest RPI. Quite considerable demand developed for the medium tap, 13½% Exchequer 1994, which was sold at 40 1/8 (1/8 premium). After the official close on Friday the market strengthened further on both domestic and overseas buying, apparently prompted by the conviction that the growing recession would bring interest rates down. The medium tap was exhausted at the opening on Monday morning, at 40 9/32. Prices then moved sharply ahead, with further reports of overseas demand, to close up to 2 1/4 higher in shorts and around 1 3/4 higher in longs. Yesterday the market again opened very firm and active, helped by the better than expected May trade figures. Profit-taking developed in the afternoon, however, which trimmed gains in longs to around 5/8; shorts were affected by the extremely tight conditions in the money market and lost around 1/4.

## EQUITIES

Over the week as a whole, prices of shorts rose by up to 3 and longs by around 2 3/8, bringing yields down to around 13% and 13½% respectively.

The market's recent firmer trend gathered strength this week helped by the more favourable RPI and trade figures for May and boosted by renewed hopes of lower interest rates. The market was particularly firm on Monday following favourable press comment over the weekend, and the FT index rose by 11.1, the largest single-day rise for five months. Yesterday the market opened more cautiously but rallied in later trading with the FT index closing slightly higher at 469.0, a rise of 28.7 over the week. It has now risen by 14% since the rally began on 3 June.

## NEW ISSUES

## Queue

Only one new issue was added to the queue: a rights issue of £10 mn by the Coalite Group. The queue now totals £156 mn.

## Others

There are plans for a euro-sterling convertible issue of about £6 mn for Kollmorgen Corporation (a US company) to be brought next week. The euro-sterling convertible issue for Orient Finance (a Japanese company) has been postponed until July.

(Init EAJG)

18 June 1980.

## NEW ISSUES OF 3 OR OVER

Date 1980	Government, etc.	Other Fixed Interest (excl. Convertibles)	Convertible Stocks	Others
Current Week (18/6-20/6)		South Staffordshire Waterworks Company (tender) (19/6) 7		Mallinson-Denny Ltd (rights) (19/6) 10  Harrisons & Crosfield Ltd. (rights) (20/6) 45
Week 2 (23/6-27/6)				Ferranti Ltd. (rights) (24/6) 25  Anderson Strathclyde (rights) (26/6) 6
Week 3 (30/6-4/7)		Sunderland and South Shields Water Company (tender) (1/7) 3		Coalite Group Ltd (rights) (4/7) 10
Week 4 (7/7-11/7)				
Week 5 (14/7-18/7)				
Week 6 (21/7-25/7)				The Charterhouse Group Ltd (offer for sale) (24/7) 40
Week 7 (28/7-1/8)				
Forthcoming		Newcastle and Gateshead Water Company (tender) (5/8) 6  Lee Valley Water Company (tender) (7/10) 4		
		TOTAL 20	TOTAL	TOTAL 136
*Issues announced:	1977	118		815
	1978	60		959
	1979	162		946
	1980 to date	68		245
*Issues completed	1977	143		784
	1978	63		910
	1979	150		979
	1980 to date	43		114

\*Includes issues of less than 3.

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales + , purchases - )

1. Transactions: (cash value)

	11.6.80	Cal. Qtr and Fin. Year to date	21.2.80 to date
	<u>-17.6.80</u>		<u>to date</u>
Issue Department			
Purchases/sales			
Next Maturities	- 10	- 614	- 709
Other short-dated	+ 66	+ 1,055	+ 1,143
	+ 56	+ 441	+ 434
Mediums	+ 659 <sup>ø</sup>	+ 876	+ 926
Longs and undated	+ 32	+ 1,778	+ 2,043
Total Issue			
Department trans-			
actions	+ 747	+ 3,095	+ 3,403
CRND	+ 58	+ 79	+ 77
Redemptions	- 172	- 387	- 676
	<u>+</u> 633	<u>+</u> 2,787	<u>+</u> 2,804

<sup>ø</sup>Including +290 from call on 13 1/2% Exchequer 1992.

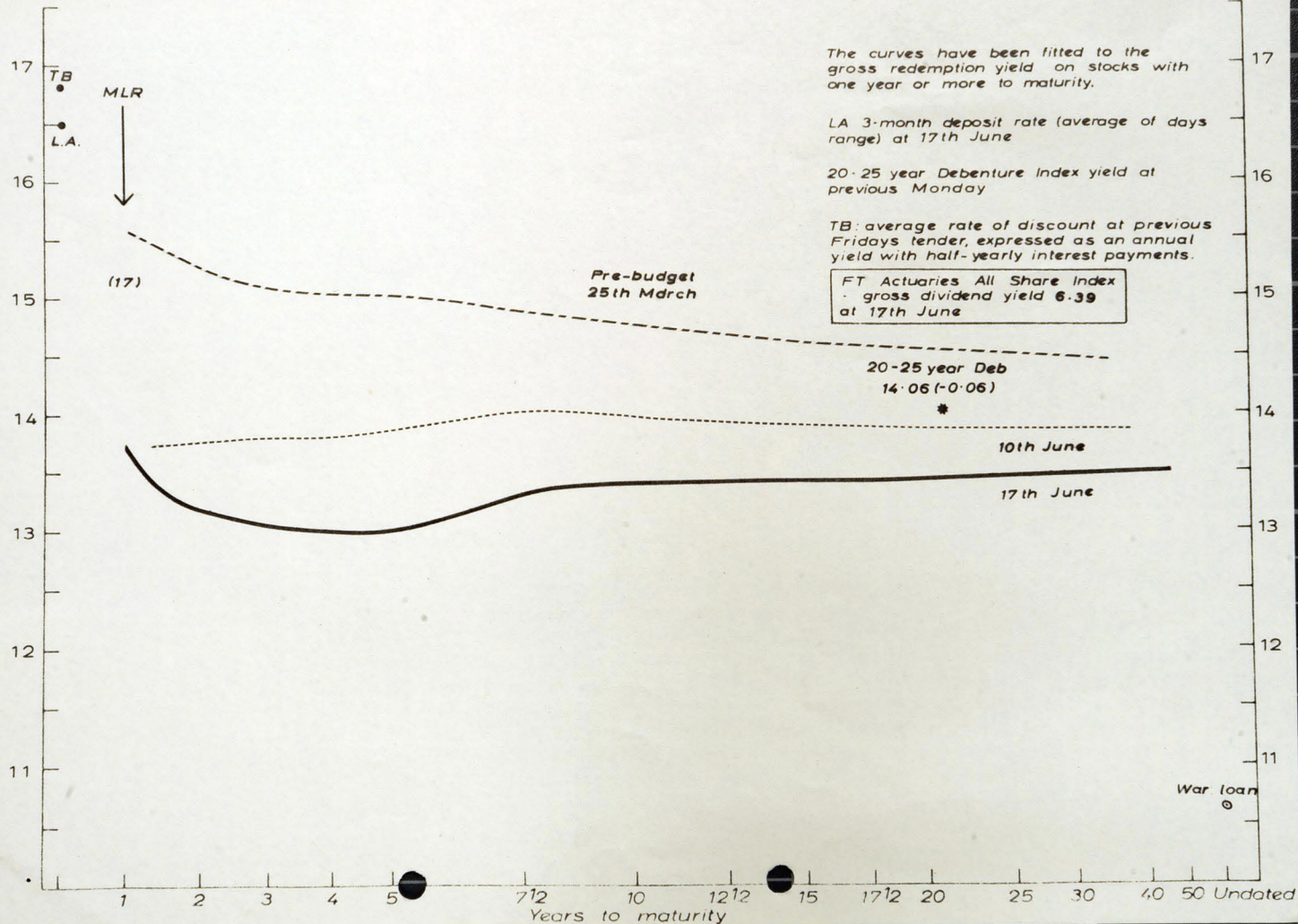
2. Redemption Yields (tax ignored)

	<u>10 June</u>	<u>17 June</u>
11 1/2% Treasury 1981	13.96	13.94
8 1/4% Exchequer 1981	13.48	13.14
12% Treasury 1984	13.65	12.74
13 1/4% Exchequer 1987	13.76	12.77*
10% Treasury 1992	13.79	13.30
12 1/4% Exchequer 1999	13.94	13.51
11 1/2% Treasury 2001/04	13.74	13.31
12% Exchequer 2013/17	13.26	12.92
3 1/2% War (Flat Yield)	10.97	10.62

\*Went ex-dividend during week

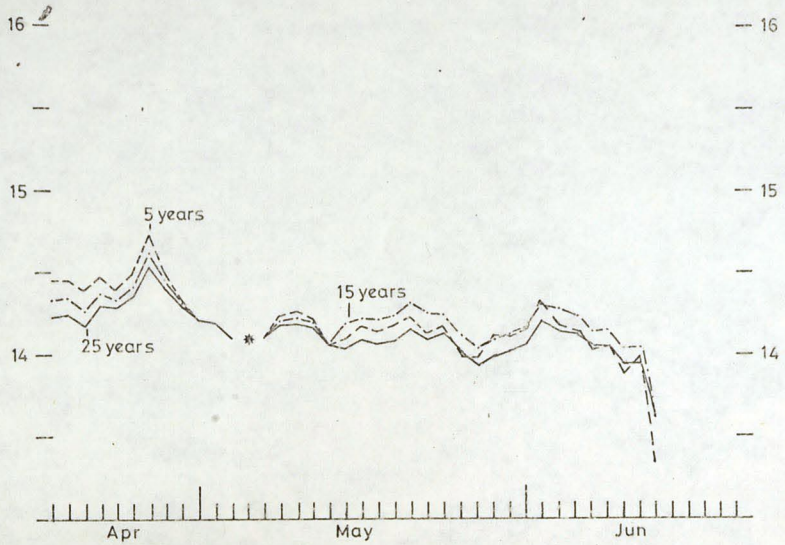
Per cent Time Yield Curves of British Government Stocks

18th June 1980



### Gilt edged yields (F.T. high coupon)

Yields



\* Not available

### Interbank rates

