

MKTS Gilt edged.  
Doss

SECRET

30.6.80



FOR BOOKS

DOMESTIC MARKETS AND POLICY THIS WEEK

MONETARY AGGREGATES

The first estimate for  $\text{EM3}$  in banking June is + 0.3% (implying annualised growth of 9.9% since February and 8.7% since October), but this is based solely on returns from weekly-reporting banks; there are indications that the final figure may be slightly higher. Bank lending to the private sector was much less than forecast. The bill leak widened once more: it now amounts to some  $\text{£400 mn.}$  since February and any re-intermediation of this amount will have to be accommodated within the target.

The projection for  $\text{EM3}$  in July, assuming no gilt sales other than those already in the pipeline (about  $\text{£825 mn net}$ ), is 1/2% without re-intermediation, or perhaps 1% with it. On the same basis, August is projected, before re-intermediation, as 1%+.

MONEY MARKETS

At Friday's tender the pro rata price rose by 1p to  $\text{£96.085}$  and the average rate of discount fell to  $\text{£15.6801}$ .

Assuming a response of  $\text{£650 mn}$  to our gilt repo facility, the pattern for this week looks as follows:

					£mns
M.-330	Tu.-200	W.+40	Th.-80	F.-80	
Total -650					

Large shortages are expected for the rest of the current banking month. Another tranche of the new gilts facility will probably be needed, amounting to at least a further 1 1/2% of eligible liabilities: this could be announced this Friday for take-up on Friday 11th. We will buy out as much of today's shortage as possible but commercial bill repos may be necessary tomorrow, to unwind on 11th.

## GILT-EDGED

No decisions on issues are required this week

## ANNOUNCEMENTS

Today        Quarterly analysis of bank advances (mid-May)  
Wednesday   Foreign exchange reserves

30 June 1980.