

Domestic Markets: 9 June - 3 July

*62 6/7*

#### MONEY MARKETS

Money has remained tight throughout the period. On most days assistance from the Bank was necessary - taking the form of purchases of Treasury bills, local authority bills and eligible bank bills, some of these on a resale basis; additionally, the Bank lent at MLR overnight. The two gilt-edged sale and repurchase facilities with the clearing banks, worth some £500 million apiece, expired on 12 and 17 June. However similar facilities were later made more widely available to listed banks and deposit-taking finance houses for amounts of up to 1 1/2% of the eligible liabilities of each institution. The facilities came into effect on 4 July and are due to be unwound on 11 August

#### INTEREST RATES

MLR remained unchanged at 17% until 2 July when it decreased to 16%. Clearing banks' base rates remained at 17%. *was changed*

	<u>9. 6.80</u>	<u>3 .7.80</u>
Interbank		
7 days	16 9/16-17	16 1/4-17 1/2
1 month	16 13/16-17 1/16	16 1/2-17 1/2
3 months	16 1/2-16 13/16	15 7/8-16 7/8
6 months	15 1/4-15 11/16	14 7/8-15 9/16
Local Authority		
7 days	17	17 1/2-17 5/8
1 month	17-17 1/16	17 1/2
3 months	16 3/4-16 7/8	16 7/8-17
6 months	15 3/4	15 5/8-15 3/4
Sterling CDs		
1 month	16 3/4-17	16 5/16-17 7/16
3 months	16 3/8-16 11/16	15 5/8-16 3/4
6 months	15 1/16-15 7/16	14 5/8-15 1/4

## GILT EDGED

The market has remained generally firm encouraged by continuing hopes of lower interest rates and supported by demand from overseas. Two new issues by tender were made: a further tranche of £600 mn. of 12 1/4% Exchequer 1985 and £1,000 mn. of 13% Treasury 2000. Both issues were undersubscribed but the long tap attracted a good response and was exhausted within a few days. A further tap stock, 13 1/2% Exchequer 1994, was also exhausted during the period.

## YIELDS BASED ON OFFICIAL CLOSING PRICES

	13% Exchequer 1980	8 1/4% Exchequer 1981	12% Treasury 1983	13% Treasury 1990	15 1/2% Treasury 1998
10 June	14.11	13.48	13.94	13.70	14.33
12 June	14.12	13.39	13.86	13.63	14.30
17 June	14.05	13.14	13.23	13.14	13.87
19 June	14.13	13.19	13.27	13.10	13.83
24 June	14.30	13.23	13.10	13.14	13.88
26 June	14.32	13.43	13.25	13.07	13.90
1 July	14.33	13.70	13.31	13.23	14.02
3 July	14.18	13.38	12.91	13.03	13.87

## 9-13 JUNE

Demand revived after the weekend amid fresh optimism about an early cut in Minimum Lending Rate and, with foreign buying again apparent, the market was further encouraged by the wholesale price figures for May. The firm trend continued on Tuesday and the new tap stock 13 1/2% Exchequer 1994 was activated at 40 1/8 (£40% paid). However the market was unsettled on Tuesday afternoon by the banking figures for May. Firmer conditions reemerged later in the week, helped by the fairly modest rise in the latest Retail Price Index and further sales of the 1994 tap were made on Friday at 40 1/8.

16-20 JUNE

After the official close on Friday 13 June the market had strengthened further on both domestic and overseas buying prompted by hopes of lower interest rates and the 1994 tap was exhausted at the opening on Monday morning at 40 9/32 paving the way for very sharp rises in price. In the second half of the week prices lost part of their earlier gains on profit-taking and disappointment at the May money supply figures. But after a quiet day on Friday the market strengthened in after-hours trading following the announcement of two new issues: a further £600 million of 12 1/4% Exchequer 1985 partly paid by tender at a minimum price of 98 1/4 and £1,000 million of 13% Treasury 2000 partly paid by tender at a minimum price of 96.

23-27 JUNE

The market opened the week at Friday's improved levels and fluctuated narrowly to close little changed. Tuesday saw some selling ahead of the new issues. The market was slightly firmer on Wednesday although some of the gains were lost before the close. Both new issues were undersubscribed but the long tap attracted a good response. Favourable ministerial comments upon the course of interest rates produced fresh demand at the outset on Thursday and the long tap was activated at £30 1/8 (£30% paid) before that price was withdrawn. Sellers then appeared and the market lost further ground on Friday as investors reacted to the continuing problems at Bristol Steel. *Brite*

30 JUNE - 3 JULY

The market opened easier on Monday though the losses were partly regained in the afternoon. Tuesday morning saw renewed weakness on concern at the industrial outlook but buyers then appeared and the earlier losses were quickly retrieved. The market rallied strongly on Wednesday morning, reportedly boosted by foreign demand, and the long tap was exhausted at 30 1/4 by midday. Trading was less active in the afternoon but prices generally held their better levels. Following the announcement of the reduction in MLR on Thursday the authorities were able to sell large amounts of the 1985 tap at 40 1/16 and 40 1/8 and also 3% Treasury 1985.

## OFFICIAL STOCK TRANSACTIONS

(Sales+ / Purchases -)

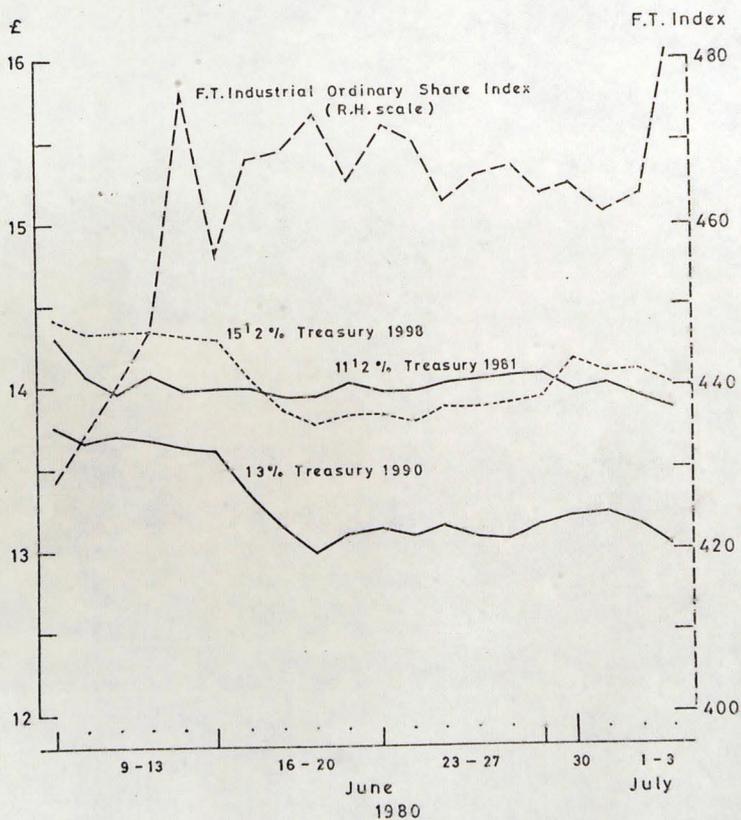
	9 June-3 July	1980/81 Financial Year to date
ISSUE DEPARTMENT		
Next Maturities	-23.1	-626.6
Other short dated	+220.9	+1,216.6
Medium dated	+879.9	+1,081.5
Longs and undated	+ <u>330.9</u>	+ <u>2,062.4</u>
TOTAL ISSUE DEPARTMENT	+1,408.6	+3,733.9
TRANSACTIONS		
CRND	+63.2	+85.5
Cash Redemptions	- <u>283.4</u>	- <u>497.9</u>
GRAND TOTAL	+1, <u>188.4</u>	+ <u>3,321.5</u>

## EQUITY MARKET

The market rally which began on 3 June after the EEC settlement continued in the first two weeks boosted by hopes of lower interest rates. However news of the closure of Wedd and Owen coupled with gloomy economic news and recent rights issues (including the announcement by Ferranti of £21mn issue) depressed the market on 24 June. Towards the end of the period the market fluctuated with prices easing on 1 July amid concern at the deepening recession and then slightly improving helped by the better tone in the gilts market. However the market rose very sharply, particularly in after-hours trading, following the news of the reduction in MLR and the FT index reached a 1980 high of 480.1 compared with 436.7 on 5 June.

# Gross Redemption Yields on Gilt-edged Stocks

## F.T. Share Index



*MLR*  
FOR BASLE

Financial Markets Supplement as at  
4.00 pm on Friday, 4 July 1980

*AR 6/5*

Treasury Bill Tender

Offered: £300,000,000.  
Average Tender Rate: £14.7404.  
Lowest Price Accepted: £96.325.  
Minimum Lending Rate: 16%.

Parallel Market Rates (Range over the day)

Inter-bank - 7 days: 16 1/2-17 1/2 1 month: 16 1/2-16 3/4 3 months: 15 7/8-16 1/16  
Local Authority - 7 days: 16 5/8-16 7/8 1 month: 16 3/8-16 3/4 3 months: 16-16 1/8  
Sterling C.D.s - 1 month: 16 9/16-16 11/16 3 months: 15 5/8-15 3/4

The Gilt-Edged Market

The market opened a little firmer and the two remaining taps - 3% Treasury 1985 and 12 1/4% Exchequer 1985 - were soon exhausted at 69 1/4 and 40 3/16, respectively. The market then remained relatively quiet for the rest of the day with very little change in prices. A new issue of medium dated stock - £800 mn of 12% Treasury 1987, partly paid was announced at 3.30 pm.

Official Stock Transactions: £477.1 mns. net sales (of which 291.9 call on 13 1/2% Exchequer 1994).

The Equity Market

The Market opened quietly firm and remained active throughout the day with most sections still digesting the decrease in MLR.

F.T Index: (at 3.00 pm) 484.2 (up 4.1).

*[Signature]*  
4 July 1980

## SECRET

£ mns.

## Gilt sales (+)/Purchases (-)

Actual and Required 1980/81  
(as at close of business 3 July 1980)

Banking Months	Total Net Sales	(Of which non-bank private sector)	Net non-bank private sector sales required to meet £M3 target*
Feb:	+ 296	(+ 428)	
March:	+ 2	(+ 172)	+ 455
April:	+ 1,116	(+ 797)	+ 455
May:	+ 547	(+ 409)	+ 455
June:	+ 1,095	N/A	
July: to date	+ 575		
redemption of stock held by market	- 13 <sup>(1)</sup>		
Instalment on part paid stocks	+ 750 <sup>(2)</sup>		
	+ 1,312	N/A	+ 455
Aug: Instalment on part paid stocks	+ 950 <sup>(3)</sup>	N/A	+ 455
Sept. Instalment on part paid stock	+ 199 <sup>(4)</sup>		+ 455
Oct.			+ 455
Nov: redemption of stock held by market	- 577 <sup>(5)</sup>	N/A	+ 450
Dec.			+ 450
Jan: redemption of stock held by market	- 400 <sup>(6)</sup>	N/A	+ 450
Feb: redemption of stock held by market	- 390 <sup>(7)</sup>	N/A	+ 450
Mar:			+ 450
April: redemption of stock held by market	- 709 <sup>(8)</sup>	N/A	+ 450
	+ 3,145		+ 6,340

- (1) 5 1/4% Funding 1978/80 (-6) and 3 1/2% Treasury 1977/80 (-7).  
 (2) 13 1/2% Exchequer 1992 (+453) and 13 1/2% Exchequer 1994 (+297)  
 (3) 13 1/2% Exchequer 1994 (+258), 12 1/4% Exchequer 1985 'A' (+265) and 13% Treasury 2000 (+427)  
 (4) 13% Treasury 2000  
 (5) 13% Exchequer 1980  
 (6) 11 1/2% Treasury 1981  
 (7) 3 1/2% Treasury 1979/81  
 (8) 9 3/4% Treasury 1981

\* Figures are monthly averages based on the forecast of sales to non-bank private sector contained in the Financial Statement and Budget Report forecast

Chief Cashier's Office,  
Markets Post (4564)  
4 July 1980.