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DOMESTIC FINANCIAL MARKETS 4-10 JULY

Money Markets

Money continued short throughout the period. The Bank purchased Treasury and local authority bills on Friday, Monday, Tuesday, Treasury Bills alone on Wednesday and Thursday and eligible bank bills for resale at a later date on Monday and Tuesday. In addition the Bank lent to the Market overnight at MLR on every day except Wednesday when they lent for two days. A second gilt-edged purchase and resale facility open to all listed banks and finance houses above a certain size to run from 11 July to 18 August was announced on Friday.

Parallel Markets (range of rates)

		4. 7.80	10. 7.80
Interbank:	7 days	16 1/2-17 1/2	16 3/4-17 1/8
	3 months	15 7/8-16 1/16	15 11/16-15 7/8
	6 months	14 13/16-14 15/16	14 7/16-14 11/16
Sterling CDs:	3 months	15 5/8-15 3/4	15 5/8-15 3/4
	6 months	14 5/8-14 3/4	14 3/8-14 1/2
L A Deposits:	7 days	16 5/8-16 7/8	16 3/4-17
	3 months	16-16 1/8	15 5/8-15 3/4

Treasury Bill Tender (4. 7.80)

There was more competition for an unchanged amount of £300 million Treasury Bills on offer. The lowest price accepted rose by 24p to £96.325, at which price 31% of applications were accepted. The average rate of discount fell by 0.9397 to £14.7404.

Gilt-edged Market

As soon as the market opened on Friday the two remaining taps - 12 1/4% Exchequer 1985 'A' and 3% Treasury 1985 - were exhausted at 40 3/16 and 69 1/4, respectively. The level of activity then dropped, and after some further gains, prices fluctuated for the rest of the day. At the close a new issue of £800 mn of 12% Treasury 1987 was announced. Following this, the short/medium

sector was subdued on Monday but longs moved ahead sharply. On Tuesday morning the whole market opened strongly with further gains in the long dated stocks. Profit-taking then appeared ahead of the June banking figures and some quite heavy selling occurred after their announcement: by the close prices generally had reverted to Monday night's level. On Wednesday morning the market opened quite sharply easier, but cheap buyers later appeared and by lunchtime the earlier losses had been more than regained. Further progress was made in the afternoon despite publication of the June CGBR figure with most interest concentrated at the long end. Tenders for the new issue of 1978 Stock were modest. The market improved quite sharply at the opening on Thursday and sales of the new medium tap were made at 20 1/8. The firm trend continued until lunchtime when profit taking appeared and the market closed the day looking barely steady.

Official Stock Transactions
(Sales+/Purchases-)

	4. 7.80- 10. 7.80	Financial Year to 10. 7.80
Next Maturities	NIL	-641.5
Other Short-dated	-3.6	+1,367.4
Medium-Dated	+37.2	+1,459.7
Other	<u>-7.2</u>	<u>+2,055.2</u>
Total Issue Department Transactions	+26.4	+4,240.8
CRND	-10.9	+71.2
Cash Redemptions	<u>-2.1</u> <u>+13.4</u>	<u>-500.5</u> <u>+3,811.5</u>
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Yields	4. 7.80	10. 7.80
11 1/2% Treasury 1981	14.13	14.46
8 1/4% Exchequer 1981	13.47	13.40
13 1/2% Exchequer 1983	12.97	12.95
12% Treasury 1984	12.57	12.55
13 1/4% Exchequer 1987	12.94	12.96
10% Treasury 1992	13.21	12.95
13 1/2% Exchequer 1994	13.68	13.50
12 1/4% Exchequer 1999	13.49	13.15
11 1/2% Treasury 2001-04	13.32	12.97
13 1/2% Treasury 2004-08	13.49	13.21
12% Exchequer 2013-17	12.93	12.64
3 1/2% War Loan (Flat Yield)	10.80	10.78

Equity Market

Following Thursday's cut in MLR, the market remained buoyant on Friday and Monday helped by the strength of the gilts sector with the FT index showing a rise of 31.4 over the 3 days as a whole. On Tuesday the market initially improved further but then met profit taking after the announcement of the banking figures. After an easy start on Wednesday investment demand revived only to ease back slightly just before the close. The market opened steady on Thursday. However, prices, having improved initially failed to maintain their best levels and the market eased to close slightly lower on balance. The FT index ended the period at 489.5.

July 1980