

NOTE FOR WEDNESDAY MEETING

MARKETS: 16 JULY 1980 - 22 JULY 1980

MONEY

Conditions in the money market remained very tight this week, chiefly due to substantial gilt sales on Thursday and to the unwinding of a previous bill purchase by the Bank on Tuesday. The net Exchequer position was also generally unfavourable to the market.

Assistance by the Bank took the form of outright purchases of Treasury Bills every day, and of Local Authority bills on Monday. Eligible bills were also purchased on Monday and Tuesday for resale within the banking month. In addition, the Bank lent overnight at MLR on every day but Wednesday, in amounts ranging from small to extremely large.

Short interbank rates showed a generally firm tendency this week, reflecting the prevailing stringency. Rates at three months and over dropped back on Wednesday and Thursday, but later firmed after hopes of an MLR cut were disappointed. Some further softening was evident on Tuesday, leaving the three month rate $1/16\%$ down on the week at $15\ 3/4\%$.

Rates this morning easier up to one month: otherwise firm. Eurosterling rates were generally soft in the early part of the week but have firmed at all maturities since the weekend. The three month rate finished $1/16\%$ down at $15\ 13/16\%$.

At the Treasury Bill tender on Friday the average rate of discount rose (for the first time since 9 May) by 0.0295 to 14.5219.

GILTS

Over the week as a whole the market has been generally firm, particularly at the long end. Encouraged by Tuesday afternoon's trade figures, prices continued their earlier upward trend on Wednesday, longs closed with rises of over a point over the previous day's closing prices. Trading on Thursday was quieter but the market reacted

calmly to the money supply figures and long dates rose by up to a further 1/4. Although the tender price was effectively around 1/4 below that of the parent stock, applications for the 3% Exchequer Stock 1983 "A" were modest. Friday was also relatively quiet, but after hours, following the announcement of a further tranche of Treasury 11 3/4% 1991, prices of long-dated stocks moved strongly ahead in after-hours trading. These gains were extended on Monday and longs closed up to 2 points above Friday's 3.30 pm prices. Shorts were however, little changed. Some profit taking developed on Tuesday and prices throughout closed 1/8-1/4 down. Over the week, prices of shorts fell by 1/8-3/16 but longs rose by 1 1/2 to 2 points.

LOCAL AUTHORITY BONDS

The coupon on fixed rate one-year bonds fell by 1/4% to 13 1/2%, its lowest level since mid October last year. Issues totalled £16.25 mn (£15.65 mn last week) against maturities of £14.5 mn.

EQUITIES

The market continued to move ahead on Wednesday, encouraged both by the improved sentiment on Wall Street and by Tuesday's trade figures. The FT Index moved through 500 for the first time since June 1979 to close at 503.1. The market's exuberance was, however, curbed by a pessimistic statement from Courtaulds on Thursday and although Friday's retail price figures were well received, Lloyds Bank's results were disappointing. The market drifted on Monday. Some profit taking developed on Tuesday following the announcement of higher unemployment figures and cautious statements from Whitbread, Allied Breweries and Racal and the index fell 9.3 points to close at 486.7, 13.1 points down on the week.

NEW ISSUES

Queue

Three small new issues were added to the queue: rights issues of £7 mn by Peachey Property and of £5 mn by Pict Petroleum, and an unlisted placing of shares and convertible loan stock totalling £5 mn by Tesel Services (wireline logging). The queue now totals £130 mn, broadly the level it has been maintaining since the beginning of June.

Other

A sterling eurobond issue of £22.5 mn 10 year bonds by Peugeot, led by Warburgs, was announced on 18 July, at an indicated coupon of 14%. The issue is well oversubscribed. The proceeds will be used by Peugeot to repay a DoI loan to Chrysler, whose European operations Peugeot have acquired.

A third sterling convertible issue by a Japanese company - Jusco (retail store) - has been scheduled for September. The issue, of £10 mn, led by Hill Samuel, will be made in the eurobond market.

Init EAJC

23 July 1980

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales + , purchases -)

1. Transactions (cash value)

	16 7.80 <u>-22.7.80</u>	Cal.Qtr. <u>to date</u>	Fin.Year <u>to date</u>	21.2.80 <u>to date</u>
Issue Department				
Purchases/sales	- 11	- 27	- 653	- 749
Next Maturities	+ 43	+ 344	+ 1,408	+ 1,495
Other short-dated	+ 32	+ 317	+ 755	+ 746
Mediums	+ 143*	+ 1,142	+ 2,062	+ 2,112
Longs and undated	+ 9	+ 102	+ 2,070	+ 2,336
Total Issue				
Department trans- actions	+ 184	+ 156	+ 4,887	+ 5,194
CRND	- 5	- 24	+ 66	+ 64
Redemptions	- 10	- 16	- 511	- 800
	<u>+ 169</u>	<u>+ 1,521</u>	<u>+ 4,442</u>	<u>+ 4,458</u>

* Includes + 30 from call on 13 1/2% Exchequer 1992.

2. Redemption Yields (tax ignored)

	<u>15 July</u>	<u>22 July</u>
11 1/2% Treasury 1981	14.08	14.07
8 1/4% Exchequer 1981	13.53	13.55
12% Treasury 1984	12.57	12.33
13 1/4% Exchequer 1987	12.87	12.70
10% Treasury 1992	12.79	12.52
12 1/4% Exchequer 1999	13.04	12.68
11 1/2% Treasury 2001/04	12.87	12.47
12% Exchequer 2013/17	12.55	12.16
3 1/2% War (Flat Yield)	10.79	10.49

SECRET

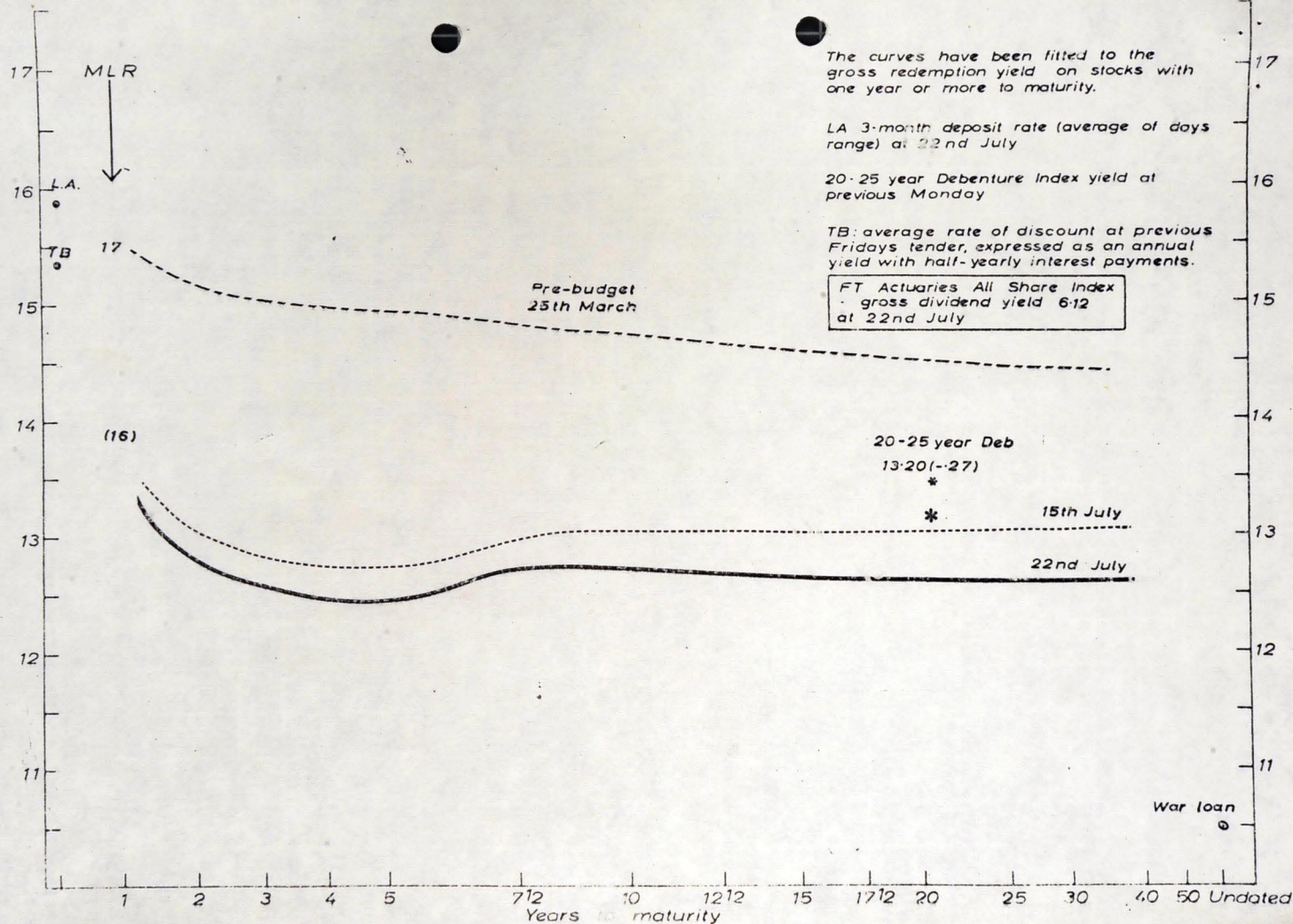
£ millions

NEW ISSUES OF 3 OR OVER

Date 1980	Government, etc.	Other Fixed Interest (excl. Convertibles)	Convertible Stocks	Others
Current week (23/7-25/7)				The Charterhouse Group Ltd (offer for sale) (24/7) 40
Week 2 (28/7-1/8)				<u>Tesel Services Ltd</u> (unlisted placing) (28/7) 5
Week 3 (4/8-8/8)		Newcastle and Gateshead Water Company (tender) (5/8) 6		
Week 4 (11/8-15/8)				
Week 5 (18/8-22/8)				<u>Pict Petroleum Ltd</u> (rights) (20/8) 5
Week 6 (26/8-29/8)				Blue Circle Industries Ltd (rights) (27/8) 50
Week 7 (1/9-5/9)				Law Land Company Ltd (rights) (2/9) 6
Forthcoming		Lee Valley Water Company (tender) (7/10) 4		<u>Peachey Property</u> <u>Corporation Ltd</u> (rights) (21/10) 7
		Essex Water Company (tender) (2/12) 7		
		TOTAL 17	TOTAL	TOTAL 113
*Issues announced:	1977	118		115
	1978	60		59
	1979	162		946
	1980 to date	79		439
*Issues completed	1977	143		784
	1978	63		910
	1979	150		979
	1980 to date	54		301

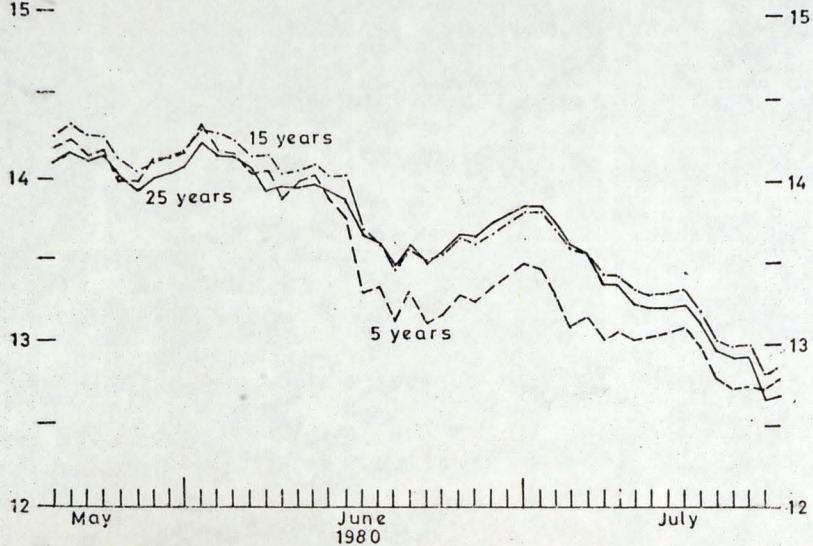
*Includes issues of less than 3.

23 July 1980



Gilt edged yields (F.T. high coupon)

yields
15--



Interbank rates

19--

