

Substantial
selling
since Friday

GILTS

The market tone has become distinctly more hesitant during the past week and there was a significant weakening yesterday. *and today*

The market opened reasonably firm on Wednesday, and there were substantial applications for the new issue (Treasury 11 3/4% 1991 A). Although shorts became easier during the day to show marginal losses, mediums and longs gained 1/8 to 3/8. The new tap was sold in a moderate amount at a 1/4 premium at the opening on Thursday. But after hopes of a further cut in Minimum Lending Rate were disappointed and notwithstanding the further fall in US prime rates, the long end of the market in particular drifted off over the next two days with falls of a full point on Tuesday. Shorts held up somewhat better but here too there were losses of up to 1/2 yesterday.

Over the week as a whole shorts fell by 1/4-1/2 while longs fell by 1-1 1/8.

By
10
489.7

LOCAL AUTHORITY BONDS

The coupon on fixed rate one year bonds was unchanged at 13 1/2%. Issues totalled £18.75mn. (£15.75mn. last week) against maturities of £16mn.

EQUITIES

The market was markedly less confident drifting gently downwards throughout the week, before recovering on Tuesday.

There was little trading on Wednesday and although there was some demand for hire purchase shares, reflecting hopes of a further cut in MLR, other sectors were dull. Trading was equally subdued on Thursday and Friday when disappointing results from Midland provoked widespread falls in bank shares. Adverse weekend press comment affected secondary oils on Monday and first day dealings in Mariner were disappointing, with the shares closing at a discount. The market was encouraged on Tuesday by satisfactory results from National Westminster Bank and closed 3.8 points up at 489.7, to show a 2.9 point rise over the week.

NEW ISSUES

Queue

The Kingdom of Denmark issued £75mn of 25 year stock on 29 July. The issue carries a coupon of 13% and was priced at £98 to yield 13.28%, just over 1/2% above the equivalent gilt. The stock is payable as to £20 on 1 August and the balance on 19 September. It was issued by a placing, led by Hambros with Greenwells as brokers, and will not therefore trade in the gilt-edged market. It is the first sterling issue in the London domestic market by a sovereign borrower since December 1971, when New Zealand raised £10mn.

Two equity issues were added to the commercial queue; an offer for sale of £35 mn of shares in Electra Investment Trust and a rights issue for £8 mn by Samuel Properties. The queue remains virtually unchanged from last week at £128 mn.

Other

A second Japanese corporate sterling convertible issue - this time in the form of a sterling eurobond - was launched on 26 July: £15 mn of 15 year bonds by Orient Finance at an indicated coupon of 8-8 1/4%, convertible into yen equity. The issue is led by CSFB and was quickly oversubscribed: 50% will probably be placed in the UK and 50% abroad.

*7. Special attention
on current market*

(Init EAJG)

30 July 1980

Official Stock Transactions and Gilt-Edged Yields

(\$ million: sales + , purchases -)

1. Transactions (cash value)

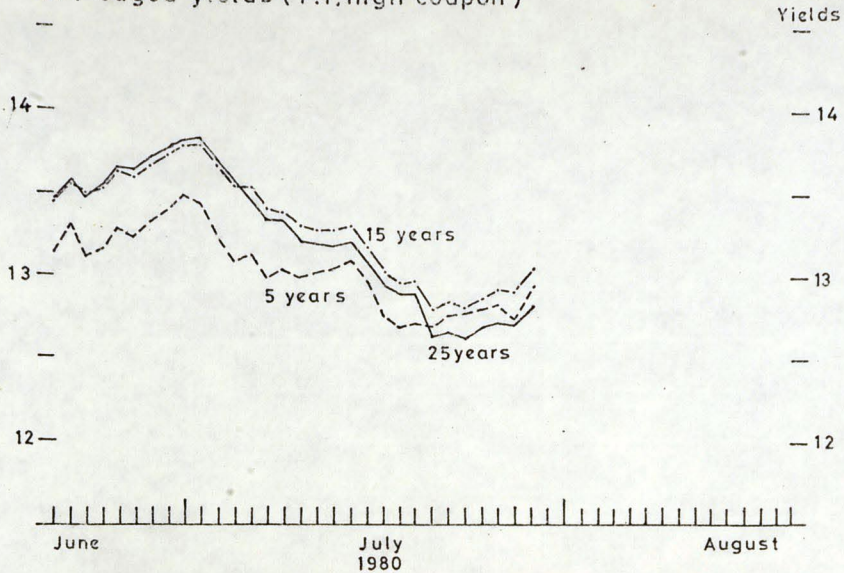
	16 7.80 <u>-22.7.80</u>	Cal.Qtr. <u>to date</u>	Fin.Year <u>to date</u>	21.2.80 <u>to date</u>
Issue Department				
Purchases/sales				
Next Maturities	- 18	- 45	- 671	- 767
Other short-dated	+ 5	+ 350	+ 1,413	+ 1,500
	- 13	+ 305	+ 742	+ 733
Mediums	+ 332*	+ 1,474	+ 2,394	+ 2,444
Longs and undated	-	+ 101	+ 2,070	+ 2,336
Total Issue				
Department trans-				
actions	+ 319	+ 1,880	+ 5,206	+ 5,513
CRND	-	- 24	+ 66	+ 64
Redemptions	-	- 16	- 511	- 800
	+ 319	+ 1,840	+ 4,761	+ 4,777

* Includes + 254 from call on 13 1/2% Exchequer 1994 and 84 from take up of 11 3/4% Treasury 1991 'A'.

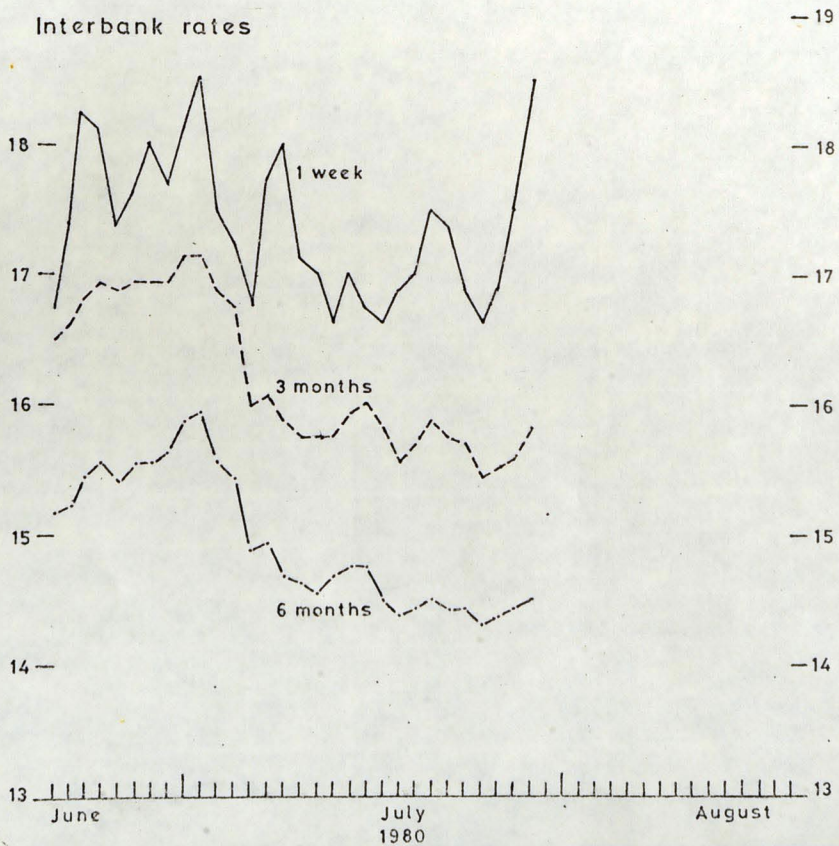
2. Redemption Yields (tax ignored)

	22 July	29 July
11 1/2% Treasury 1981	14.07	13.93
8 1/4% Exchequer 1981	13.55	13.34
12% Treasury 1984	12.33	12.49
13 1/4% Exchequer 1987	12.70	12.90
10% Treasury 1992	12.52	12.67
12 1/4% Exchequer 1999	12.68	12.85
11 1/2% Treasury 2001/04	12.47	12.62
12% Exchequer 2013/17	12.16	12.33
3 1/2% War (Flat Yield)	10.49	10.71

Gilt edged yields (F.T. high coupon)



Interbank rates



Per cent Time Yield Curves of British Government Stocks

30th July 1980

