

Market Desk

SECRET

NOTE FOR WEDNESDAY MEETING

MARKETS: 20 AUGUST 1980 TO 26 AUGUST 1980

MONEY

Very stringent money market conditions prevailed throughout most of the week. The main factors were a substantial unfavourable net Exchequer position on Thursday; and the call on 11 3/4% Treasury 1991 A on Friday. The only day on which the market benefited significantly from the net Exchequer position was Friday.

● The Bank gave substantial assistance each day through overnight lending at MLR (particularly on Friday), as well as providing funds through direct or indirect purchases of Treasury Bills or Local Authority bills, and (on three days) through commercial bill repurchase facilities.

Interbank rates up to seven days, which had jumped sharply on Wednesday in response to make-up day pressures, fell back on Thursday, although, like the longer rates, they firmed again slightly before the Bank Holiday weekend. While short rates were stable, or even eased, on Tuesday, reflecting the Bank's continuing large-scale support, rates at the long end moved up progressively, with the twelve-month rate 1/2% up on the week at 15 3/16%. However, the three month interbank rate remained at its Friday level of 16 3/4%, only 1/16% up over the week.

This morning rates eased at the short end.

Euro-sterling rates showed no clear trend. One- and twelve-month rates firmed slightly, while the six-month rate eased a small amount, and the three-month rate ended the week unchanged at 16 5/8%.

At the Treasury Bill tender on Friday the average rate of discount again fell - by 0.1086 to 14.8005.

LOCAL AUTHORITY BONDS

The coupon on fixed rate one year local authority bonds rose by a further 1/4% to 15%. Issues totalled £13.0mn (£10.75mn last week) against maturities of £15.5mn.

GILTS

The market was generally quiet and featureless, with prices tending to ease on balance.

The market was initially unsettled on Wednesday by very tight conditions in the money market and by Chase Manhattan's increase in prime rate from 11% to 11 1/4%. But the early falls were soon mostly regained and the market ended the day slightly firmer. This tendency persisted on Thursday and the announcement of the first quarter PSBR had little impact. Overnight consideration of the outturn did, however, prompt a slightly easier trend the following day, although business was generally on a very small scale. The lull continued after the weekend with prices continuing to drift lower, partly in reaction to the news of a further increase in Chase's prime rate to 11 1/2%.

Over the week as a whole prices of shorts fell by up to 3/4 and longs by around 1/4.

EQUITIES

Prices improved on Wednesday with electrical shares again in demand. Institutional buying led to a further advance on Thursday and these gains were consolidated the following day although trading was at a low ebb in advance of the Bank Holiday. Conditions remained quiet on Tuesday and with investors reluctant to commit funds and with profit taking in the electrical sector the FT index closed at 495.8, a fall of 3.1 on the day but a rise of 7.7 over the week.

NEW ISSUES

Queue

Two new issues were added to the queue: a rights issue of £20mn of convertible stock by Laing Properties Ltd and an issue of £13mn by Cape Industries Ltd (mining and manufacturing). The form of the latter issue is not yet decided: it may be either a convertible preference issue or an equity issue. The queue now totals £388mn and the total potential volume of offerings for 1980 (ie issues already announced and those still on the queue) is now about £950mn, not far short of the figure for the same period of last year.

(Init ALC)

27 August 1980

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales + , purchases -)

1. Transactions (cash value)

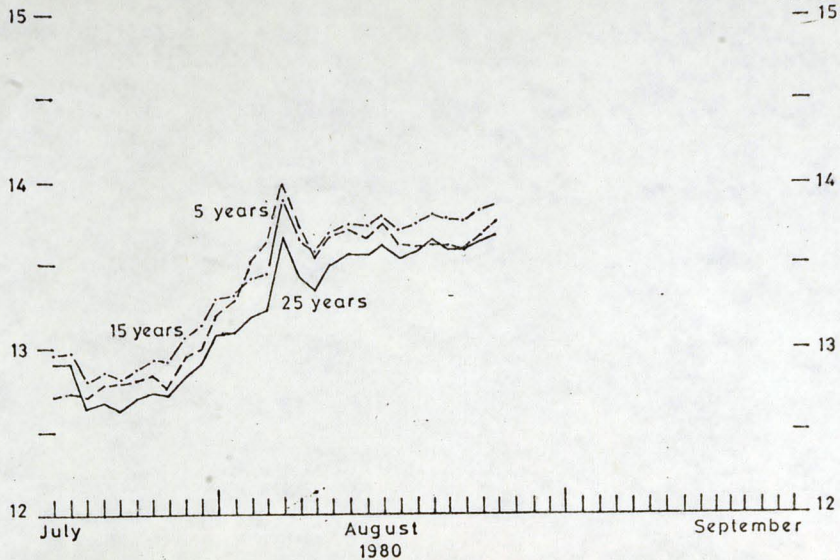
	20.8.80 <u>-26.8.80</u>	Cal.Qtr. <u>to date</u>	Fin.Year <u>to date</u>	21.2.80 <u>to date</u>
Issue Department				
Purchases/sales				
Next Maturities	- 11	- 130	- 755	- 851
Other short-dated	<u>+ 6</u>	<u>+ 358</u>	<u>+ 1,422</u>	<u>+ 1,506</u>
	- 5	+ 228	+ 667	+ 655
Mediums	+ 141*	+ 2,191	+ 3,111	+ 3,162
Longs and undated	<u>- 1</u>	<u>+ 460</u>	<u>+ 2,428</u>	<u>+ 2,695</u>
Total Issue				
Department trans-				
actions	+ 135	+ 2,879	+ 6,206	+ 6,512
CRND	- 15	- 61	+ 28	+ 27
Redemptions	-	- 16	- 511	- 800
	<u>+</u>	<u>+</u>	<u>+</u>	<u>+</u>
	120	2,802	5,723	5,739

* Includes + 140 from call on 11 3/4% Treasury 1991A

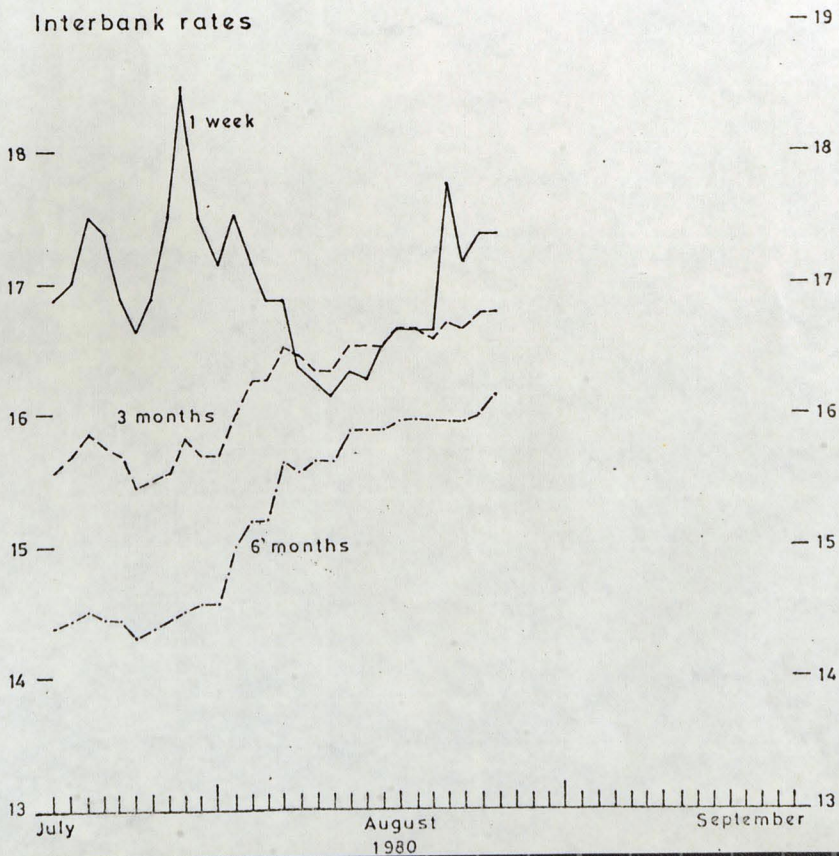
2. Redemption Yields (tax ignored)

	<u>19 August</u>	<u>26 August</u>
11 1/2% Treasury 1981	15.08	15.30
8 1/4% Exchequer 1981	14.30	14.53
12% Treasury 1984	13.34	13.62
13 1/4% Exchequer 1987	13.54	13.60
10% Treasury 1992	13.38	13.42
12 1/4% Exchequer 1999	13.53	13.60
11 1/2% Treasury 2001/04	13.36	13.37
12% Exchequer 2013/17	13.07	13.12
3 1/2% War (Flat Yield)	11.39	11.42

Gilt edged yields (F.T. high coupon)



Interbank rates



NEW ISSUES OF 3 OR OVER

Date 1980	Government, etc.	Other Fixed Interest (excl. Convertibles)	Convertible Stocks	Others		
Current week (27/8-29/8)				Blue Circle Industries Ltd (rights) (27/8) 50		
Week 2 (1/9-5/9)				Kwit-Fit Holdings Ltd (rights) (5/9) 4		
Week 3 (8/9-12/9)			Jusco Co Ltd (placing) (8/9) 10	British Vita Co Ltd (rights) (10/9) 5		
				Electra Investment Trust Ltd (offer for sale) (11/9) 35		
				Burnett & Hallamshire Holdings Limited (rights) (12/9) 12		
Week 4 (15/9-19/9)				Rio Tinto Zinc Corp Ltd (rights) (17/9) 125		
Week 5 (22/9-26/9)				Pict Petroleum Ltd (rights) (23/9) 4		
Week 6 (29/9-3/10)				BTR Ltd (rights) (30/9) 45		
Week 7 (6/10-10/10)	Lee Valley Water Company (tender) (7/10) 4		Laing Properties Ltd (rights) (8/10) 20	Guinness Peat Group Ltd (rights) (7/10) 20		
			Cape Industries Ltd (?) (10/10) 13			
Forthcoming	Essex Water Company (tender) (2/12) 7		Orient Leasing Co Ltd (placing) (3/11) 12	Peachey Property Corporation Ltd (rights) (21/10) 7		
				Samuel Properties Ltd (rights) (30/10) 8		
				Intasun Ltd (offer for sale) (3/12) 7		
	TOTAL	11	TOTAL	55	TOTAL	322
*Issues announced:	1977	118			815	
	1978	60			959	
	1979	162			946	
	1980 to date	85			473	
*Issues completed	1977	143			784	
	1978	63			910	
	1979	150			979	
	1980 to date	89			465	

*Includes issues of less than 3.

Per cent Time Yield Curves of British Government Stocks

27th August 1980

