

## NOTE FOR WEDNESDAY MEETING

MARKETS: 10 SEPTEMBER 1980 TO 16 SEPTEMBER 1980

## MONEY

Conditions in the money market continued tight throughout the week, Friday's shortage being particularly severe due to the call on 12% Treasury 1987. Other factors against the market included the repayment of previous market advances and the unwinding of a previous purchase of commercial bills by the Bank on Wednesday, and the maturing of a substantial holding of Local Authority bills in official hands on Tuesday. The market was also affected on Monday by tax payments though the net Exchequer position was otherwise consistently in the market's favour.

The Bank gave assistance chiefly by the replacement of the gilt purchase and resale agreement which matured on Monday with a further facility on similar terms to run to 13 October. Regular assistance was also necessary every day, taking the form of overnight lending at MLR, together with outright purchases of Treasury Bills on Friday, Monday and Tuesday and of Local Authority bills on the latter two days. In addition eligible bills were bought on Friday and Tuesday for resale after the end of the banking month, Friday's purchase being exceptionally large.

After a general easiness on Wednesday interbank rates tended to firm at all maturities up to the weekend, reflecting Friday's severe shortage. Monday saw some renewed softness, aided by the Bank's large-scale assistance, but on Tuesday rates firmed again, particularly at the short end. The three month rate ended the week 3/16% higher at 15 7/8%.

Eurosterling rates showed a generally steady tendency throughout the week, though some easing at three and six months was evident after the weekend. The three month rate finished 1/8% down at 15 7/8%.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.3500 to 14.4024.

## LOCAL AUTHORITY BONDS

The coupon on fixed rate local authority bonds fell by a further 1/4<sup>3</sup> to 14 1/14<sup>3</sup>. Issues totalled £17.8 mn (£17.9 mn last week) against maturities of the same amount.

## GILTS

The market opened on a very firm note on Wednesday but eased after the weekend.

The market continued to benefit on Wednesday morning from the upsurge which followed the Treasury statement on monetary policy the previous afternoon. Prices continued to rise sharply, particularly at the medium and long end, although the gains were trimmed by profit-taking in the afternoon. This intensified the following day amid some disappointment at the absence of a further cut in MLR and shorts and longs fell by up to 1/2 and 1 respectively. On Friday, however, early losses were soon regained and the market moved further ahead after the publication of the August RPI. At 3.30 pm the issue of a further tranche of £1,000 mn of 12<sup>3</sup>/<sub>4</sub> Exchequer 1998 was announced. This provoked some further gains in after-hours trading.

After the weekend, the market improved in early trading on Monday, but eased on the retail sales figures for August and ahead of the August production and trade figures. The market was further depressed by Ministerial statements interpreted to mean that short-term interest rates should remain at present levels for the foreseeable future. These factors led to sharp falls yesterday with longs up to one point lower by lunchtime. A slight recovery was seen in the afternoon on rumours that the dock strike might be averted.

Over the week as a whole prices of shorts fell by around 1/4 - 1/2; prices of longs displayed a mixed trend but were generally little changed.

## EQUITIES

The market opened firmer on Wednesday but later succumbed to profit-taking. This continued initially on Thursday but conditions improved

later in the day and on Friday, the final day of the account, when sentiment was encouraged by the August RPI. After the weekend, the market was depressed on Monday by the threat of the dock strike and the FT index lost 8.2 on that day. Electrical shares encountered heavy profit-taking after press comment that they were over-valued. Yesterday, the market continued unsettled but a recovery late in the day saw the FT index only 2.4 lower at 498.3, a fall of 5.6 over the week as a whole.

#### NEW ISSUES

##### Queue

Only one new issue was added to the queue: an offer for sale of £15 mn by American Oil Field Systems Ltd. However, BTR's proposed rights issue (already in the queue) was increased in size from £45 mn to £60 mn. The queue now totals £309 mn (£331 mn last week).

(Init.EAJG)

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Official Stock Transactions and Gilt-Edged Yields

(£ million: sales + , purchases - )

1. Transactions (cash value)

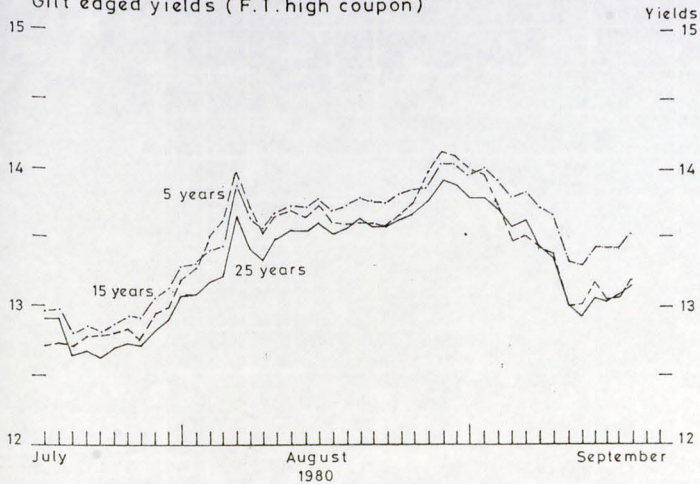
	10.9.80 <u>-16.9.80</u>	Cal.Qtr. <u>to date</u>	Fin.Year <u>to date</u>	21.2.80 <u>to date</u>
Issue Department				
Purchases/sales				
Next Maturities	- 3	- 136	- 761	- 857
Other short-dated	+ 24	+ 388	+ 1,451	+ 1,536
	+ 21	+ 252	+ 690	+ 679
Mediums	+ 359*	+ 2,818	+ 3,738	+ 3,789
Longs and undated	- 30	+ 659	+ 2,627	+ 2,894
Total Issue				
Department trans-				
actions	+ 350	+ 3,729	+ 7,055	+ 7,362
CRND	+ 17	- 38	+ 52	+ 53
Redemptions	-	- 16	- 511	- 800
	+ 367	+ 3,675	+ 6,596	+ 6,615

\* Includes + 359 from call on 12% Treasury 1987

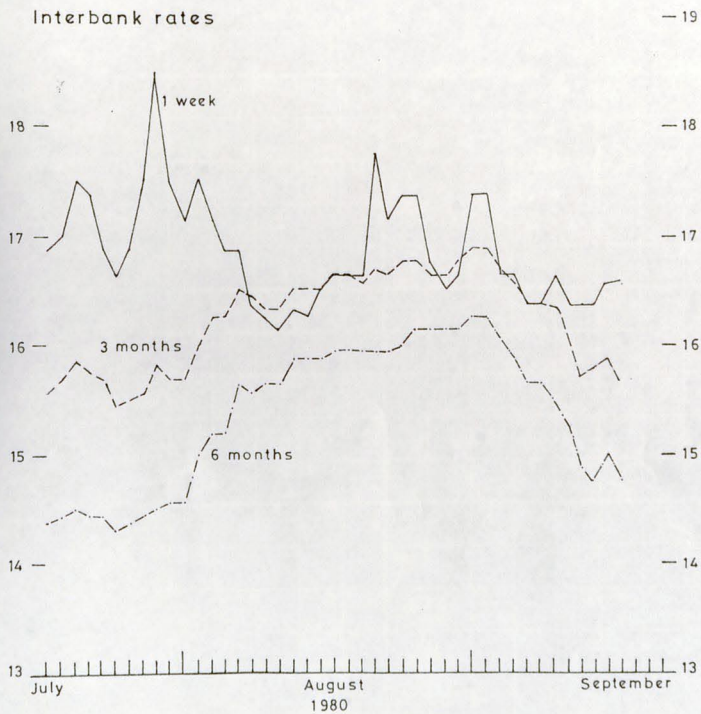
2. Redemption Yields (tax ignored)

	<u>9 September</u>	<u>16 September</u>
11 1/2% Treasury 1981	14.90	14.07
8 1/4% Exchequer 1981	13.62	13.76
12% Treasury 1984	12.64	12.70
13 1/4% Exchequer 1987	13.07	13.07
10% Treasury 1992	13.02	13.14
12 1/4% Exchequer 1999	13.16	13.27
11 1/2% Treasury 2001/04	12.94	12.99
12% Exchequer 2013/17	12.69	12.69
3 1/2% War (Flat Yield)	11.06	11.00

### Gilt edged yields (F.T. high coupon)



### Interbank rates



## SECRET

£ millions

## NEW ISSUES OF 3 OR OVER

Date, 1980	Government, etc.	Other Fixed Interest (excl. Convertibles)	Convertible Stocks	Others
Current week (17/9-19/9)				Rio Tinto Zinc Corp Ltd (rights) (17/9) 125
Week 2 (22/9-26/9)				Pict Petroleum Ltd (rights) (23/9) 4
				Mills & Allen International Ltd (rights) (24/9) 6
				Brixton Estate Ltd (rights) (25/9) 13
				BTR Ltd (rights) (26/9) 60
Week 3 (27/9-3/10)				
Week 4 (6/10-10/10)		Lee Valley Water Company (tender) (7/10) 4	Town Centre Securities Ltd (rights) (9/10) 5	Guinness Peat Group Ltd (rights) (7/10) 20
			Cape Industries Ltd (?) (10/10) 13	<u>American Oil Field Systems Ltd (offer for sale)</u> (8/10) 15
Week 5 (13/10-17/10)				Argyll Foods Ltd (rights) (15/10) 3
Week 6 (20/10-24/10)				Pearhey Property Corporation Ltd (rights) (21/10) 7
Week 7 (27/10-21/10)				
Forthcoming		Essex Water Company (tender) (7/12) 7	Orient Leasing Co Ltd (placing) (3/11) 12	Samuel Properties Ltd (rights) (6/11) 8
				Intasun Ltd (offer for sale) (3/12) 7
		TOTAL 11	TOTAL 30	TOTAL 268
*Issues announced:	1977	118		815
	1978	60		959
	1979	162		946
	1980 to date	90		564
*Issues completed	1977	143		784
	1978	63		910
	1979	150		979
	1980 to date	94		471

\*Includes issues of less than 3.

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Per cent Time / Yield Curves of British Government Stocks

17th September 1980

