

NOTE FOR WEDNESDAY MEETING

MARKETS: 17 SEPTEMBER 1980 TO 23 SEPTEMBER 1980

MONEY

Conditions in the money markets this week were largely influenced by the net Exchequer position. This was consistently in the market's favour before the weekend, helping to produce easy conditions particularly on Wednesday, but on Monday swung strongly against the market giving rise to some degree of stringency. Tuesday was the tightest day of the week due to the unwinding of an exceptionally large previous purchase of commercial bills by the Bank.

Assistance by the Bank was necessary only on Monday and Tuesday, Tuesday's help in part taking the form of a further purchase of eligible bills for future resale. Resale dates on this occasion were within the banking month.

Short interbank rates were generally soft before the weekend, reflecting the prevailing easier conditions, but firmed from Monday onwards. Rates at six and twelve months were easy up to Thursday, perhaps with a view to a possible MLR cut, but steadied on Friday and showed a continuing firm tendency thereafter. The three month rate ended the week 1/8% higher at 15 7/8%.

Eurosterling rates followed a similar pattern, showing some easiness at all maturities before the weekend but firming on Monday and Tuesday. The three month rate finished unchanged at 15 3/4%.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.2708 to 14.1316.

LOCAL AUTHORITY BONDS

The coupon on fixed rate local authority bonds remained unchanged at 14 1/4%. Issues totalled £15.75 mn (£17.8 mn last week) against maturities of £9.75 mn..

Alliance Building Society is to make a second issue of bonds of £5 mn on 26 September.

GILTS

After a firm start the market became unsettled by interest rate fears before steadying yesterday.

The market opened quietly firm on Wednesday reflecting hopes that the dock strike might be averted. Business remained on a very small scale throughout the day with prices closing slightly higher. More significant improvement was seen the following day, with gains of up to 1 in mediums and longs, but tenders for 12% Exchequer 1998 "A" were small. On Friday the market turned easier amid diminishing hopes of an early cut in MLR and concern over rising US prime rates. These factors caused the market to weaken further on Monday with longs up to 1 1/8 lower by the close. Yesterday, the market was somewhat steadier and made limited gains in quiet trading, mainly at the short end. Over the week as a whole prices of shorts fell by about 1/4 and longs by about 1/4-1/2.

EQUITIES

The market made modest headway on Wednesday, the main features being the announcement of a rights issue of convertible loan stock of £123 mn by RTZ, the largest rights issue for over four years, and a renewed surge in gold shares. Further improvement was seen initially on Thursday but prices fell sharply following very poor figures from GKN which provided evidence of the effects of the recession. Sentiment remained depressed for the next two days, but gold shares rose sharply to an all-time high following news of the tension in the Middle East. Yesterday the market was steady for much of the day but eased just before the close with the FT index 2.2 lower at 485.1, a fall of 13.2 over the week as a whole. Gold shares fluctuated in line with conflicting reports from Iran, while oil shares were firmer.

NEW ISSUES

Queue

Three new issues were added to the queue: an offer for sale of £10 mn by Pacific Seascopes Limited, subscriptions for which will be required in US dollars; a rights issue of £3 mn for East Midland

Allied Press Limited; and a private placement of £12 mn by KCA Offshore Drilling. Following the announcement of the RTZ rights issue, the queue now totals £196 mn compared with £309 mn last week.

OTHER

Hanson Trust is to make a £25 mn convertible euro-bond issue with a 15 year maturity. The bonds will be convertible into ordinary shares of the company from April 1981 to October 1995.

[Init. EAJG]

24 September 1980

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales + , purchases -)

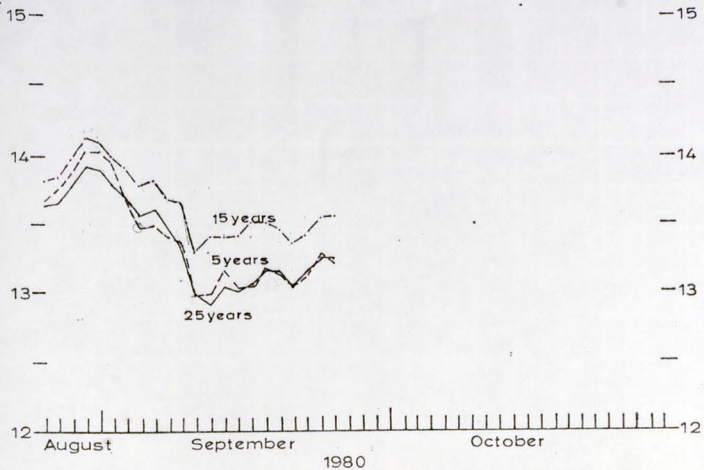
1. Transactions (cash value)

	17.9.80 <u>-23.9.80</u>	Cal.Qtr. <u>to date</u>	Fin.Year <u>to date</u>	21.2.80 <u>to date</u>
Issue Department				
Purchases/sales	- 23	- 158	- 784	- 880
Next Maturities	+ 38	+ 425	+ 1,489	+ 1,574
Other short-dated				
	+ 15	+ 267	+ 705	+ 694
Mediums	+ 1	+ 2,819	+ 3,739	+ 3,790
Longs and undated	+ 1	+ 660	+ 2,629	+ 2,895
Total Issue				
Department trans-				
actions	+ 17	+ 3,746	+ 7,073	+ 7,379
CRND	- 2	- 41	+ 49	+ 51
Redemptions	-	- 16	- 511	- 800
	+ 15	+ 3,689	+ 6,611	+ 6,630

2. Redemption Yields (tax ignored)

	<u>16 September</u>	<u>23 September</u>
11 1/2% Treasury 1981	14.07	13.79
8 1/4% Exchequer 1981	13.76	13.61
12% Treasury 1984	12.70	12.77
13 1/4% Exchequer 1987	13.07	13.09
10% Treasury 1992	13.14	13.20
12 1/4% Exchequer 1999	13.27	13.37
11 1/2% Treasury 2001/04	12.99	13.10
12% Exchequer 2013/17	12.69	12.75
3 1/2% War (Flat Yield)	11.00	11.11

Gilt edged yields (F.T. high coupon)



Interbank rates

