

SECRET

NOTE FOR WEDNESDAY MEETING

MARKETS: 3 DECEMBER 1980 TO 9 DECEMBER 1980

MONEY

Money market conditions were tight until the weekend, chiefly as a result of the unwinding on Wednesday of the second gilt purchase and resale agreement; the settlement of gilt sales on Wednesday, and a substantial increase in the note circulation on Friday, further aggravated the shortage. On Monday, however, the market moved into surplus, the main factors involved being a substantial net Exchequer deficit and the settlement of purchases by the Bank of 11 1/2% Treasury 1981, the next maturing gilt.

Market assistance by the Bank was necessary on every day up to the weekend, while on Monday and Tuesday moderate amounts of Treasury Bills were sold. In both cases the bills sold matured the following day, the operations thus helping to spread Monday's surplus and secure generally easy conditions in the run up to makeup day.

Short interbank rates moved erratically before the weekend, reflecting both the general stringency and the high level of Bank assistance. Monday and Tuesday saw a softer tendency develop as conditions eased. At the longer end no definite trend emerged, and after some minor seesawing rates finished the week little changed: the three month rate 1/16% lower at 14 5/8%.

Eurosterling rates were generally firm throughout the week, though the three month rate fell back a little on Tuesday to finish unchanged at 14 5/8%.

At the Treasury Bill tender on Friday the average rate of discount rose by 0.0475 to 12.9977.

LOCAL AUTHORITY BONDS

The rate on one-year bonds rose by 1/8% to 13 7/8%. Issues totalled £17.2mn (£16.25mn last week) against maturities of £10mn.

## GILTS

The market tended to ease in quiet trading ahead of the November banking figures. Publication of the figures yesterday afternoon prompted sharp falls in prices.

Prices drifted lower on Wednesday morning reflecting the further rise in US prime rates and unease about the situation in Poland. A gradual decline continued on Thursday and Friday in very quiet trading with buyers holding off in advance of the publication of the November banking figures. After the weekend the market remained quiet and little changed until the announcement of the figures yesterday afternoon. The higher than expected estimate of EM3 growth caused some quite substantial sellers to appear and prices were marked sharply lower. Sentiment was also affected just before the close by news of a further rise in US prime rates and prices of shorts ended up to 5/8 lower with falls of 1 or more in longs.

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

## EQUITIES

The market continued to weaken on Wednesday though a late rally kept the fall in prices within modest bounds. Trading remained generally dull on Thursday, but electrical shares attracted interest ahead of and after statements from GEC, Plessey and Ferranti. BP shares eased after its third-quarter profits announcement. The account closed on Friday on a depressed note, the FT index having suffered a fall during the two weeks of over 45 points (nearly 9%). After the weekend, prices tended to drift lower on Monday in light trading. Yesterday morning saw a small rally but prices were marked down following publication of the banking figures and the index closed 3.3 lower at 465.9, a fall of 15.8 over the week as a whole.

NEW ISSUES

Queue

Three new share issues were added to the queue: a rights issue of £4mn by Greycoat Estates Ltd; an issue of £30mn by Second Save & Prosper Investment Trust Ltd; and a private placement of £25mn by Jepsens Drilling Ltd. The queue now totals £563mn against £559mn last week.

A number of foreign borrowers (including Sweden and City of Copenhagen) have been provisionally allotted dates for issues through to April. But Gaz de France who were due to announce a £30mn issue of sterling loan stock today have withdrawn following the setback in the gilts market.

(Init EAJG)

10 December 1980

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales + , purchases - )

1. Transactions (cash value)

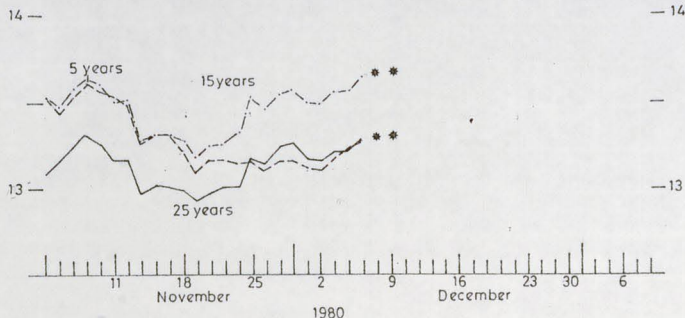
	3.12.80 - 9.12.80	Cal.Qtr. to date	Fin.Year to date	21.2.80 to date
Issue Department				
Purchases/sales				
Next Maturities	- 189	- 593	- 1,397	- 1,492
Other short-dated	+ 5	+ 200	+ 1,689	+ 1,773
	- 184	- 393	+ 292	+ 281
Mediums	- 1	+ 699	+ 4,864	+ 4,917
Longs and undated	- 20	+ 1,305	+ 3,924	+ 4,189
Total Issue				
Department trans- actions	- 205	+ 1,611	+ 9,080	+ 9,387
CRND	+ 2	+ 370	+ 415	+ 418
Redemptions	- 5	- 261	- 772	- 1,062
	- 208	+ 1,720	+ 8,723	+ 8,743

2. Redemption Yields (tax ignored)

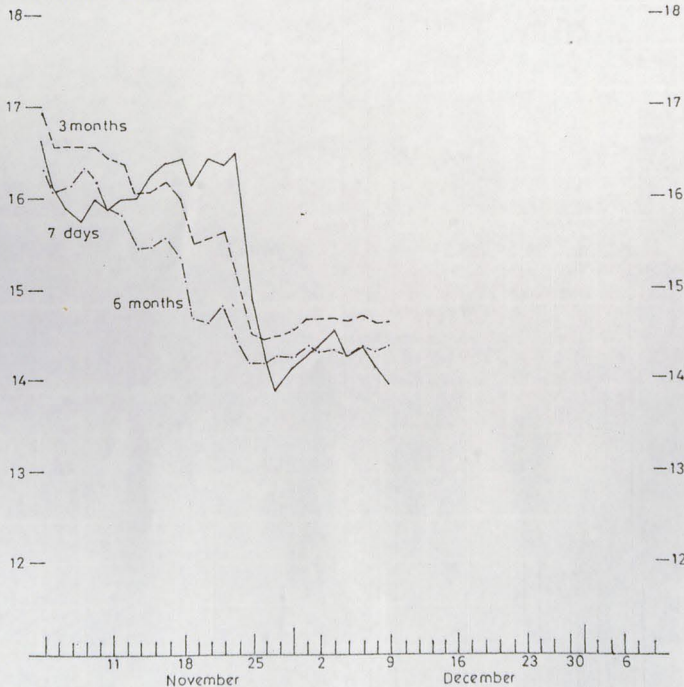
	<u>2 December</u>	<u>9 December</u>
8 1/4% Exchequer 1981	13.17	13.67
13 1/2% Exchequer 1983	12.95	13.28
12% Treasury 1984	12.78	13.13
13 1/4% Exchequer 1987	13.07	13.38
13% Treasury 1990	13.25	13.46
12 1/4% Exchequer 1999	13.24	13.58
11 1/2% Treasury 2001/04	12.97	13.28
12% Exchequer 2013/17	12.47	12.73
3 1/2% War (Flat Yield)	11.14	11.42

GILT EDGED YIELDS (F.T. HIGH COUPON)

Yields



INTERBANK RATES



\* N/A due to FT strike

1980

## SECRET

£ millions

Date	NEW ISSUES OF 3 OR OVER			Others
	Government, etc.	Other Fixed Interest (excl. Convertibles)	Convertible Stocks	
1980/81				
Current week (10/12-12/12)				Pennine Resources Ltd (offer for sale) (10/12) 5 Warren Plantation Holdings Ltd (rights) (11/12) 4 Norcross Ltd (rights) (12/12) 10
Week 2 (15/12-19/12)				Royal Insurance Company Ltd (rights) (15/12) 120 Greycoat Estates Ltd (rights) (17/12) 4
Week 3 (22/12-24/12)				Johnson, Matthey & Co Ltd (rights) (22/12) 50
Week 4 (29/12-2/1)				
Week 5 (5/1-9/1)			Portals Holdings Ltd (rights) (6/1) 10	Energy Funding Ltd (8/1) 5
Week 6 (12/1-16/1)	Republic of Iceland (placing?) (13/1) 20			Hadson Petroleum (UK) Ltd (offer for sale) (15/1) 10 Second Save & Prosper Investment Trust Ltd (22/1) 30
Week 7 (19/1-23/1)		Hiram Walker - Consumers Home Inc (21/1) 75		
Forthcoming	Credit Foncier (27/1) 50 European Investment Bank (2/3) 50		Tokyu Land Corp (placing?) (4/2) 25	Associated Dairies Group Ltd (rights) (28/1) 50 Davy Corporation Ltd (rights) (29/1) 20 Jebsens Drilling Ltd (private placement) (13/2) 25
	TOTAL 120	TOTAL 75	TOTAL 35	TOTAL 333
*Issues announced:	1977 118	1977 118	1977 815	1977 815
	1978 60	1978 60	1978 959	1978 959
	1979 162	1979 162	1979 946	1979 946
	1980 to date 277	1980 to date 277	1980 to date 931	1980 to date 931
*Issues completed	1977 143	1977 143	1977 784	1977 784
	1978 63	1978 63	1978 910	1978 910
	1979 150	1979 150	1979 979	1979 979
	1980 to date 234	1980 to date 234	1980 to date 901	1980 to date 901

\*Includes issues of less than 3.

Per cent

Time Yield Curves of British Government Stocks

10th December 1980

