

MARKETS
10.55

NOTE FOR WEDNESDAY MEETING

MARKETS: 17 DECEMBER 1980 TO 22 DECEMBER 1980

MONEY

Despite a net Exchequer position which was very substantially in the market's favour throughout the period, there was some pressure on funds on every day before the weekend as a result of sizeable increases in the note circulation and the maturity of commercial and Local Authority bills in official hands. On Monday a further maturity of commercial bills and the settlement of gilt sales affected the market, but the Exchequer deficit on this day was so massive that conditions remained easy.

Assistance by the Bank was necessary on every day before the weekend. There was no intervention on Monday.

Short interbank rates eased on Wednesday in reaction after the tighter conditions of the previous day, but thereafter remained firm until Monday when a further sharp fall reflected the availability of surplus funds. Longer rates showed a general tendency to firmness until Friday, but eased back in line with short rates after the weekend. The three month rate finished 1/8% up at 14 11/16%.

Eurosterling rates showed some firmness throughout until the weekend, but dropped back on Monday, most noticeably at the longer end. The three month rate ended the week 1/8% up at 14 3/4%.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.0017 to 13.1347.

LOCAL AUTHORITY BONDS

No issue is taking place this week.

GILTS

After a weak start the market cast off its concern about the level of US interest rates and moved strongly ahead. The medium tap was exhausted on Friday and additional tranches (£100mn each) of three existing stocks were announced yesterday.

The market eased in quiet trading on Wednesday amid continuing concern about the record level of US interest rates, and longs ended the day up to 3/4 lower. A firmer tendency developed the following morning, however, as a few buyers appeared; with the jobbers short of stock, prices recovered much of the previous day's losses before easing back slightly after confirmation of the November rise in EM3. Sentiment was further encouraged on Friday by favourable news on prices and on public sector pay. Prices moved strongly ahead and considerable demand developed for the 1989 tap which was exhausted at prices up to 25 1/2. The market hesitated only slightly on news of a further rise in US prime rates to 21 1/2%.

After the weekend, the market continued firm and active yesterday with rises of up to 1/2 in shorts and 1 in longs by lunchtime. The better levels were maintained in the afternoon as the market took heart from the reduction in one US bank's prime rate. At the official close it was announced that an additional amount of £100mn of each of three existing stocks (12 1/4% Exchequer 1992, 12 1/2% Exchequer 1994 and 10 1/2% Exchequer 1997) had been issued to the Bank.

Over the week as a whole prices of shorts rose by about 1-1 1/2 and longs by around 1 1/2.

EQUITIES

Prices improved initially on Wednesday but then drifted lower on lack of follow-through. The market remained quiet on Thursday and Friday though with a firm undertone; leading shares benefited from better than expected final figures from BOC International.

After the weekend, prices moved lower yesterday in very light trading, partly in reaction to the pessimistic OECD economic survey. However, the fall in the FT index was modest and it ended the day only 1.9 lower at 464.6, a fall of 5.3 over the week as a whole.

NEW ISSUES

Queue

Three new issues were added to the queue. A US company, Continental Corp, is planning an issue of £25mn of sterling loan stock in the domestic market. Two UK borrowers are making equity issues: a rights offering of £8mn by Argyll Foods Ltd and an issue of £6mn by Murray Technology Ltd. The queue now totals £421mn against £436mn last week.

(Init EAJG)

23 December 1980

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales + , purchases -)

1. Transactions (cash value)

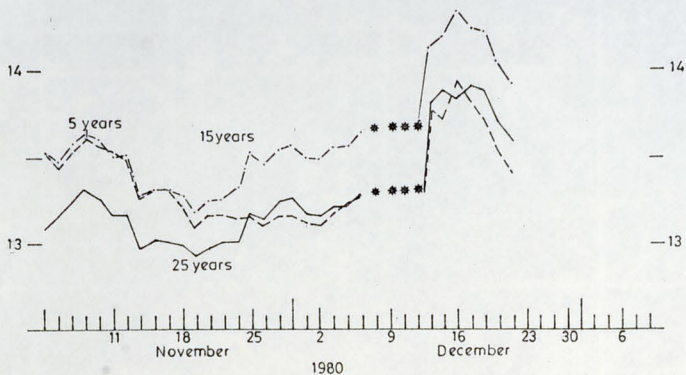
	17.12.80 <u>-22.12.80</u>	Cal.Qtr. <u>to date</u>	Fin.Year <u>to date</u>	21.2.80 <u>to date</u>
Issue Department				
Purchases/sales				
Next Maturities	- 5	- 646	- 1,450	- 1,545
Other short-dated	+ 37	+ 233	+ 1,723	+ 1,807
	+ 32	- 413	+ 273	+ 262
Mediums	+ 145	+ 948	+ 5,113	+ 5,166
Longs and undated	+ 21	+ 1,302	+ 3,921	+ 4,186
Total Issue				
Department trans- actions	+ 198	+ 1,837	+ 9,307	+ 9,614
CRND	+ 5	+ 376	+ 422	+ 424
Redemptions	-	- 261	- 772	- 1,062
	+ 203	+ 1,952	+ 8,957	+ 8,976

2. Redemption Yields (tax ignored)

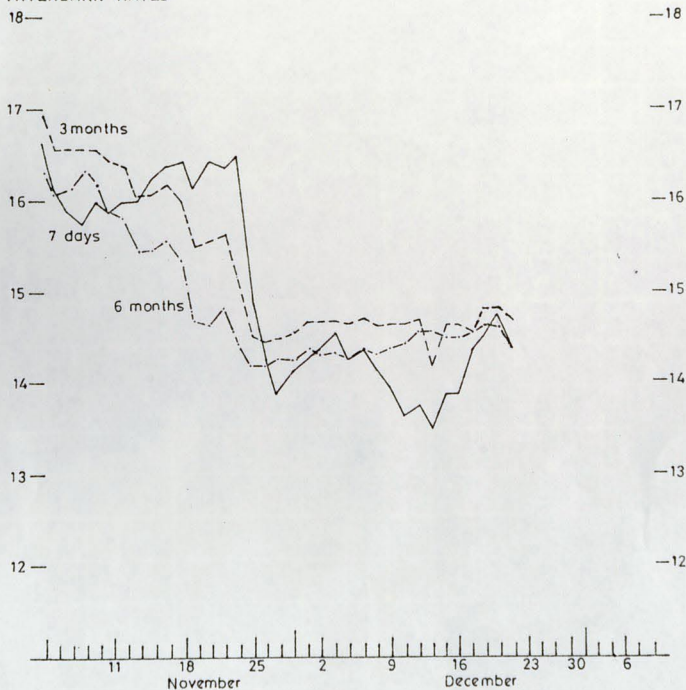
	<u>16 December</u>	<u>22 December</u>
8 1/4% Exchequer 1981	13.57	13.80
13 1/2% Exchequer 1983	13.46	13.06
12% Treasury 1984	13.47	12.94
13 1/4% Exchequer 1987	13.65	13.43
13% Treasury 1990	13.94	13.74
12 1/4% Exchequer 1999	13.93	13.76
11 1/2% Treasury 2001/04	13.61	13.45
12% Exchequer 2013/17	13.09	12.95
3 1/2% War (Flat Yield)	11.68	11.48

GILT EDGED YIELDS (F.T. HIGH COUPON)

Yields



INTERBANK RATES



* N/A due to FT strike

1980

Date 1980/81	NEW ISSUES OF £ OR OVER			
	Government, etc.	Other Fixed Interest (excl. Convertibles)	Convertible Stocks	Others
Current week (23/12-24/12)				Argyll Foods Ltd (rights) (23/12) 8
Week 2 (29/12-2/1)				
Week 3 (5/1-9/1)			Portals Holdings Ltd (rights) (6/1) 10	Norcros Ltd (rights) (9/1) 12
Week 4 (12/1-16/1)	Republic of Iceland (placing?) (13/1) 20			Energy Funding Ltd (14/1) 5
Week 5 (19/1-23/1)		Hiram Walker - Consumers Home Inc (21/1) 75		Second Save & Prosper Investment Trust Ltd (22/1) 30
Week 6 (26/1-30/1)	Credit Foncier (27/1) 50			Associated Dairies Group Ltd (rights) (28/1) 50 Davy Corporation Ltd (rights) (29/1) 20
Week 7 (2/2-6/2)			Tokyu Land Corp (placing?) (4/2) 25	
Forthcoming	European Investment Bank (2/3) 50	Continental Corp. (6/4) 25		Jebsens Drilling Ltd (private placement) (13/2) 25 Murray Technology Ltd (16/2) 6 Hadson Petroleum (UK) Ltd (offer for sale) (26/3) 10
	TOTAL 120	TOTAL 100	TOTAL 35	166
*Issues announced:	1977 118	1977 118	1977 815	815
	1978 60	1978 60	1978 959	959
	1979 162	1979 162	1979 946	946
	1980 to date 287	1980 to date 287	1980 to date 1,055	1,055
*Issues completed	1977 143	1977 143	1977 784	784
	1978 63	1978 63	1978 910	910
	1979 150	1979 150	1979 979	979
	1980 to date 258	1980 to date 258	1980 to date 945	945

*Includes issues of less than 3.