

NOTE FOR WEDNESDAY MEETING

MARKETS: 30 DECEMBER 1980 TO 6 JANUARY 1981

MONEY

Easy conditions prevailed at the beginning of the period under the influence of Wednesday's sizeable Exchequer deficit and substantial falls in the note circulation on both Tuesday (30 December) and Wednesday. Following the Bank Holiday some pressure on funds developed, with the net Exchequer position moving strongly against the market, but on Tuesday the market was again in surplus with net inflows to the Exchequer counterbalanced by a further fall in the note circulation and substantial Treasury Bill maturities.

On Wednesday and on Tuesday 6 January the Bank acted to absorb surplus funds by the sale of Treasury Bills near to maturity. Assistance to the market was necessary on Friday and Monday.

Short interbank rates showed an easy tendency throughout the week in line with market conditions, particularly after the weekend with the reduction in the reserve asset ratio. Longer rates were also generally soft, perhaps to some extent affected by falling US rates. The three month rate finished the week $1\frac{1}{2}\%$ lower at $14\frac{7}{16}\%$.

Eurosterling rates also tended to softness at all maturities throughout the week, the three month rate finishing $1\frac{1}{2}\%$ down at $14\frac{1}{2}\%$.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.029 to 12.9871.

LOCAL AUTHORITY BONDS

The rate for one year bonds fell by $1\frac{1}{4}\%$ to $13\frac{3}{4}\%$. Issues amounted to £16.75 mn (£12.35 mn last week) against maturities of £14 mn.

GILTS

The market was firm and active after the holiday period ahead of the December banking figures; impetus was lost after the announcement despite the fact that the indicated growth in money was in line with best expectations.

The market eased slightly on scattered selling on Tuesday (30 December) but longs tended to recover in later trading. Conditions were quiet both before and after the New Year holiday but the undertone was firm. Prices fell slightly at the long end in after-hours trading on Friday following news of the issue of a further tranche of £1 bn of 12 1/4% Exchequer Stock 1999.

The long end remained initially weak on Monday. But firmness in shorts and mediums spread down the list in the afternoon when the market took heart from cuts in US prime rate to 20%. Yesterday morning the market was firm and active ahead of the December banking figures with demand focussed mainly on mediums and longs whose prices were up to 1/2-3/4 higher by lunchtime. Official sales were made of the small extra tranches issued before Christmas. Prices improved immediately after the announcement of the banking figures but subsequently eased back from the best levels. Although the estimate of EM3 growth was at the lower end of the expected range, enthusiasm was dampened by the apparent composition of the increase with private loan demand more buoyant than anticipated. Other adverse factors were the threat of a national water strike and a large call due on Friday.

Over the week as a whole prices of shorts rose by around 3/8 and longs by up to 1/4.

EQUITIES

The market edged higher prior to the holiday and the FT index closed at 474.5 on 31 December, a rise of more than 60 points (14 1/2%) over the year as a whole. conditions were quietly firm on Friday and initially on Monday though prices subsequently drifted lower on lack of interest. This easier tendency continued yesterday and the

FT index closed 5.3 lower at 467.6, a fall of 1.6 over the week as a whole.

NEW ISSUES

QUEUE

Only one new issue was added to the queue: a bulldog issue of up to £100 mn by Kingdom of Sweden to be made by offer for sale (possibly by tender). Lead managers are Morgan Grenfell and Warburgs. The queue now totals £433 mn against £355 mn last week.

Over the year as a whole the gross value of completed issues (equity and fixed interest) totalled £1,229 mn against £1,129 mn in 1979. Within the overall total, however, equity issues were slightly lower at £945 mn. About half this figure was accounted for by rights issues by only three companies - Consolidated Gold Fields, Rio Tinto-Zinc and Land Securities.

(init ALC)

7 January 1981.

Official Stock Transactions and Gilt-Edged Yields

(\$ million: sales + , purchases -)

1. Transactions (cash value)

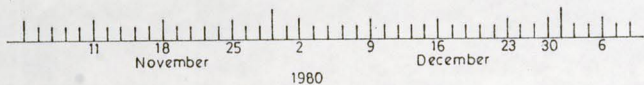
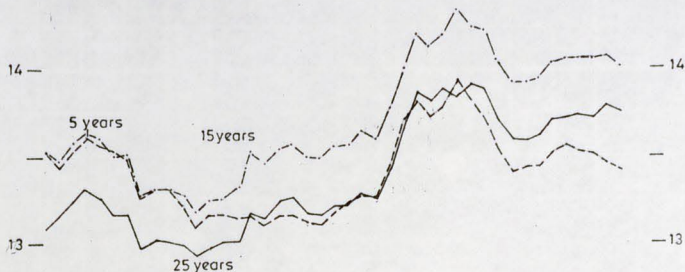
	30.12.80 to <u>6.1.81</u>	Cal.Qtr. to date	Fin.Year to date	21.2.80 to date
Issue Department				
Purchases/sales				
Next Maturities	- 73	- 67	- 1,541	- 1,621
Other short-dated	+ 86	+ 64	+ 1,824	+ 1,903
	+ 13	- 3	+ 283	+ 282
Mediums	+ 79	+ 78	+ 5,193	+ 5,245
Longs and undated	+ 9	+ 10	+ 3,932	+ 4,195
Total Issue				
Department trans-				
actions	+ 101	+ 86	+ 9,408	+ 9,722
CRND	+ 1	+ 1	+ 423	+ 425
Redemptions	-	-	- 772	- 1,062
	+ 102	+ 87	+ 9,059	+ 9,085

2. Redemption Yields (tax ignored)

	<u>29 December</u>	<u>6 January 1981</u>
12 3/4% Exchequer 1981	12.87	12.71
13 1/2% Exchequer 1983	13.22	13.08
12% Treasury 1984	13.05	12.95
13 1/4% Exchequer 1987	13.48	13.34
13% Treasury 1990	13.80	13.71
12 1/4% Exchequer 1999	13.83	13.84
11 1/2% Treasury 2001/04	13.50	13.53
12% Exchequer 2013/17	13.03	13.03
3 1/2% War (Flat Yield)	11.54	11.47

GILT EDGED YIELDS (F.T HIGH COUPON)

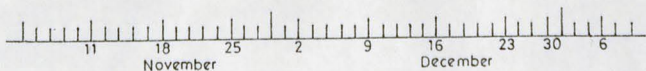
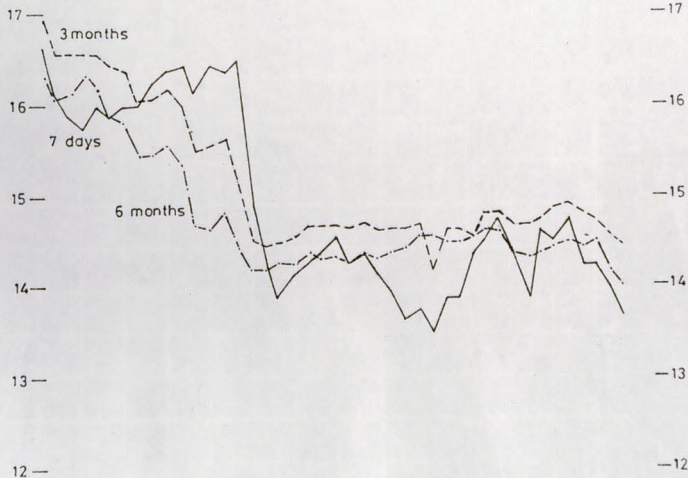
Yields



INTERBANK RATES

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1980

NEW ISSUES OF 3 OR OVER

Date	Government, etc.	Other Public Interest (excl. Convertibles)	Convertible Stocks	Others
1981				
Current week (7/1-9/1)				Norcros Ltd (rights) (9/1) 12
Week 2 (12/1-16/1)	Republic of Iceland (placing?) (13/1) 20			Energy Funding Ltd (14/1) 5
Week 3 (19/1-23/1)				Second Save & Prosper Investment Trust Ltd (22/1) 30
Week 4 (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 5 (2/2-6/2)			Tokyu Land Corp (placing?) (4/2) 25	
Week 6 (9/2-13/2)		Bristol Waterworks (offer for sale by tender) (10/2) 5		Jebsens Drilling Ltd (private placement) (13/2) 25
Week 7 (16/2-20/2)				Murray Technology Ltd (16/2) 6
Forthcoming	European Investment Bank (2/3) 50 Kingdom of Sweden (offer for sale?) (16/3) 100	Continental Corp (8/4) 25		Hadson Petroleum (UK) Ltd (offer for sale) (26/3) 10
	TOTAL 220	TOTAL 30	TOTAL 25	158

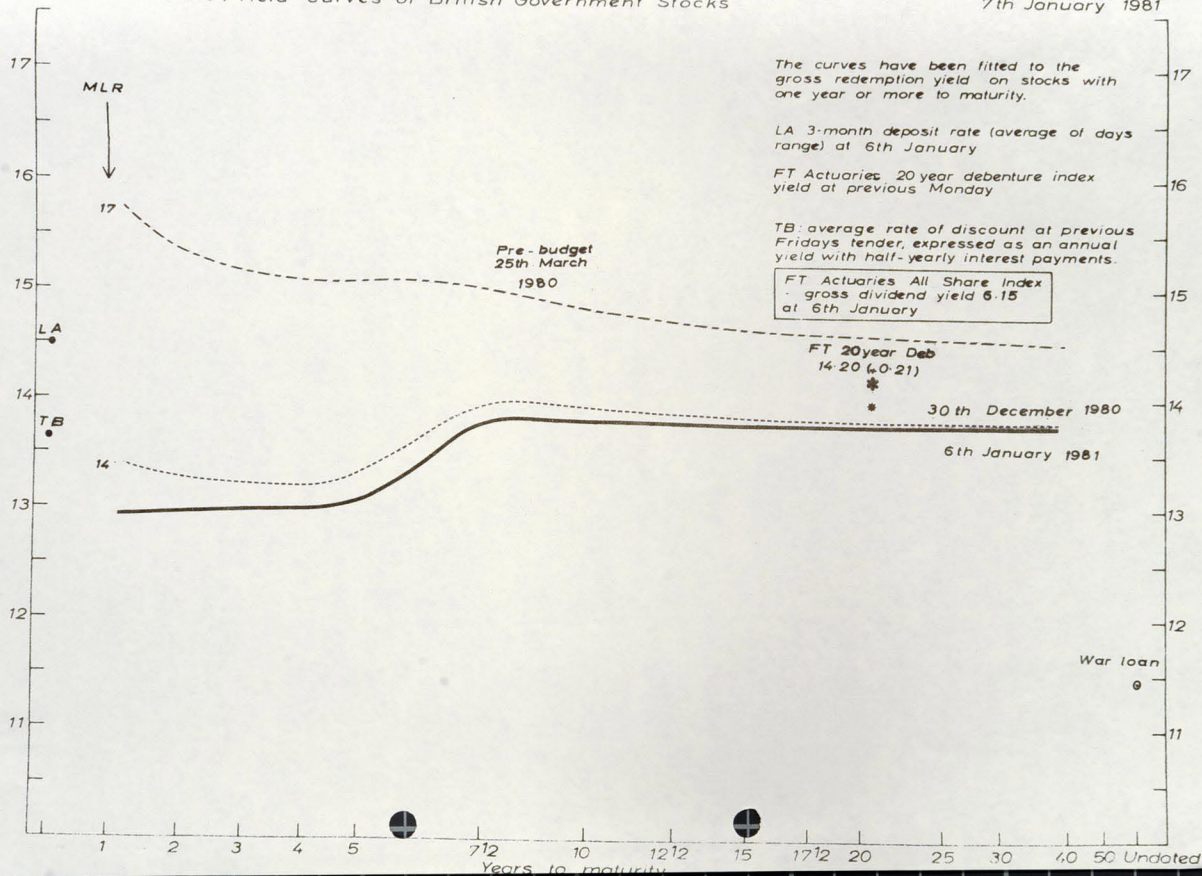
*Issues announced:	1977	118	815
	1978	60	959
	1979	162	946
	1980	290	1,066
*Issues completed	1977	143	784
	1978	63	910
	1979	150	979
	1980	284	945

*Includes issues of less than 3.

7 January 1981

Per cent Time Yield Curves of British Government Stocks

7th January 1981



Per cent Time Yield Curves of British Government Stocks

31st December 1980

