

## NOTE FOR WEDNESDAY MEETING

11 FEBRUARY 1981 TO 17 FEBRUARY 1981

## MONEY

Market conditions before the weekend were extremely easy; there was little response to the issue of 12% Treasury 1986 on Wednesday, while a large maturity of commercial bills in official hands on Thursday and Friday's final call on 11 1/2% Treasury 1989 'A' were counteracted by substantial Exchequer deficits. On Monday however the Exchequer was massively in surplus and despite the redemption on the same day of 3 1/2% Treasury 1979/81 the market was very short of funds; a further large commercial bill maturity exacerbated the situation. On Tuesday the Exchequer position was flat and a small degree of shortage persisted.

On Thursday the Bank acted to absorb surplus funds by selling Treasury Bills, the majority of which matured on Friday thus helping to counteract the effect of the call. Market assistance was necessary on a large scale on Monday, and a small amount on Tuesday

Short interbank rates were easy throughout the week except for a brief temporary firmness on Monday. At the longer end, the tendency was also generally easy, though six and twelve month rates were steady on Friday and on Monday a more marked firmness was evident in all longer rates. The three month rate finished 1/8% down at 13 1/4%.

Eurosterling rates were generally easy before the weekend, particularly at the shorter end, but steadied on Monday and by the following day were firm throughout. The three month rate ended the week 3/16% down at 13 1/4%.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.1235 to 12.2933.

## LOCAL AUTHORITY BORROWING

The rate for one year bonds was unchanged at 12 3/4% but this proved unattractive to many authorities and issues amounted to only £11 1/4mn (£12 1/4mn last week), only half the expected total and compared with £19 1/4mn maturities.

## GILTS

After its previous setback - when hopes of an early MLR cut were extinguished - the market has had a fairly quiet week, showing resilience in the face of disturbing industrial relations news, but not sufficiently robust to achieve any significant sales of stock.

Last Wednesday the tender for 12% Treasury Stock 1986 attracted only a small response but a firmer tone developed in the market and short dated stocks saw rises of up to 3/8 in fairly brisk trading. Thursday was quieter and the only feature was a small demand for low-coupon stocks. The announcement of the RPI for January, on Friday, halted an easier drift that had developed during the morning; by the close some small net gains were achieved.

Monday started with the market slightly easier on the uncertain industrial relations outlook but became steadier, particularly at the short end, during the day, becoming quite firm in after-hours dealing following the news of the record trade surplus. The short tap closed 1/2 up at its issue price (£20). Tuesday opened quietly firm with further gains in shorter maturity stocks but subsequently saw a little selling on the threatening industrial relations news. However, prices soon recovered and remained quietly firm for the rest of the day, closing with gains of 1/8-1/4.

Over the week as a whole prices of shorts rose by about 1/2-1 while longs were little changed.

## EQUITIES

Last Wednesday the market opened somewhat easier on consideration of the money supply figures but on Thursday some buyers appeared, particularly for engineering and clearing bank shares. The steady tone that developed was maintained on Friday on the news of the favourable RPI outturn.

On Monday equities opened easier on week-end press comment on the industrial relations outlook and worsened on confirmation that the South Wales miners had decided to strike. The FT index fell 7.8 points on the day. Yesterday the market opened easy but a technical rally left prices slightly higher at the close, with the FT index at 485.5; unchanged over the week as a whole.

## NEW ISSUES

## Queue

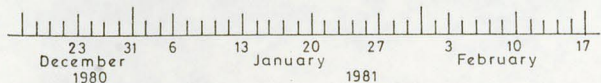
Further evidence of a possible revival in the corporate bond market emerged with BOC International's proposed issue of £50mn of unsecured loan stock. (Allied Breweries was placed on the queue last week for a possible issue of debenture stock.) The queue now totals £534mn against £553mn last week.

(Init EAJG)

18 February 1981

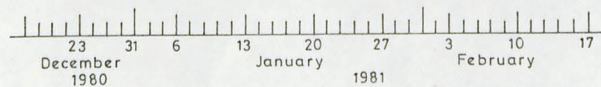
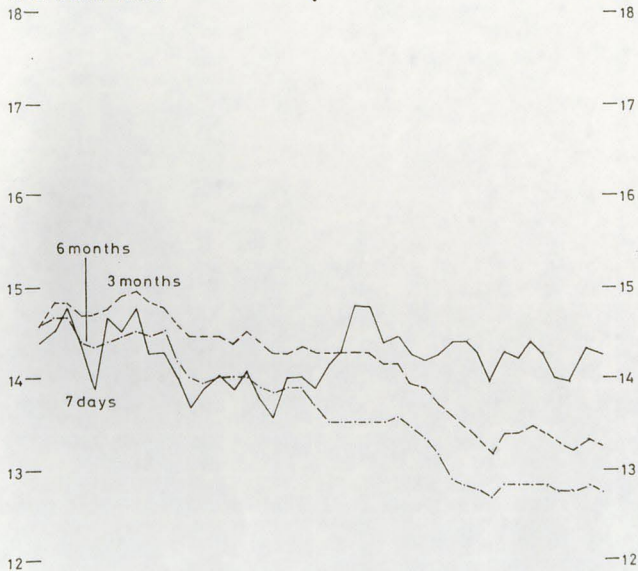
# Gilt edged yields (F.T. high coupon)

Yields



# Interbank rates

Yields



Official Stock Transactions and Gilt-Edged Yields

(\$ million: sales + , purchases - )

1. Transactions (cash value)

	11 2.81 <u>- 17 2.81</u>	Cal.Qtr. to date	Fin.Year to date	21.2.80 to date
Issue Department				
Purchases/sales				
Next Maturities	- 56	- 227	- 1,701	- 1,782
Other short-dated	+ 14	+ 640	+ 2,400	+ 2,479
	- 42	+ 413	+ 699	+ 697
Mediums	+ 325*	+ 758	+ 5,872	+ 5,924
Longs and undated	- 1	+ 766	+ 4,688	+ 4,952
Total Issue				
Department trans-				
actions	+ 282	+ 1,937	+11,259	+11,573
CRND	+ 2	+ 66	+ 488	+ 489
Redemptions	- 127	- 233	- 1,005	- 1,294
	+ 157	+ 1,770	+10,742	+10,768

\* of which +320 in respect of call on  
11 1/2% Treasury 1989 "A"

2. Redemption Yields (tax ignored)

	<u>10 February</u>	<u>17 February</u>	Change
12 3/4% Exchequer 1981	12.51	12.42	-0.09
13 1/2% Exchequer 1983	13.20	12.97	-0.23
12% Treasury 1984	13.22	12.89	-0.33
13 1/4% Exchequer 1987	13.30	13.24	-0.06
13% Treasury 1990	13.68	13.65	-0.03
12 1/4% Exchequer 1999	14.00	13.95	-0.05
11 1/2% Treasury 2001/04	13.61	13.67	+0.06
12% Exchequer 2013/17	13.23	13.22	-0.01
3 1/2% War (Flat Yield)	11.50	11.51	+0.01

Per cent

Time Yield Curves of British Government Stocks

18th February 1981

