

Mrs. Sessick

Mrs. Mary
Thanks

SECRET

Mr. Walker

8. 4. 81

X (3 pages from end) gives the main issues (£10m and over) in the queue: best issues are in the two left-hand columns. So for this year we've had only tiny amounts - £25m

NOTE FOR WEDNESDAY MEETING

MARKETS: 1 APRIL 1981 TO 7 APRIL 1981

MONEY

Difficulty in forecasting the Exchequer position accurately, due to continuing industrial action by Civil Servants, was the dominant feature of the week. Substantial swings occurred every day, the general tendency of which was favourable to the market and helped to provide unanticipated easy conditions almost throughout the week. Other factors, apart from the redemption of 9 3/4% Treasury 1981 on Wednesday and a substantial (forecast) Exchequer deficit on Friday, were on balance against the market: they included the unwinding of earlier bill repurchase agreements with the Bank on Wednesday, Friday and Monday, the call on 12 1/2% Exchequer 1990 on Friday and maturities on most days of commercial bills in official hands. Despite these only on Tuesday was some difficulty in obtaining funds experienced, when an expected further Exchequer swing in the market's favour failed to materialise.

For the first time since early February the Bank was able to sell Treasury Bills, in moderate amounts, on the first three days of the week in order to absorb surplus funds. Those sold on Wednesday and Thursday matured the following day, while Friday's matured on Tuesday thus helping to relieve that day's eventual shortage. There was no intervention on Monday; on Tuesday some extra assistance was given by means of outright bill purchases, chiefly Treasury and Local Authority bills.

Interbank rates showed an easy tendency at all maturities before the weekend. A slightly firmer note was evident in later dealings on Monday at the very short end and at six and twelve months, and by Tuesday rates were generally firm throughout, though the overnight rate came off sharply late in the day after the Bank's assistance. The three-month rate finished 5/16% lower at 12/14%.

£5.4v. £8.5

domestic (leads local authorities) and £65m foreign (Iceland and Sweden). There is £50m domestic (question of corporate ~~issues~~) and £250m foreign due to come in April and May. Hereafter we have a long list of borrowers - domestic and foreign - awaiting dates, some of whom we shall be advising (for time) shortly. New entries to the waiting list are received each week at 4 on p.3.

14/4

Eurosterling rates were easy throughout until Tuesday when some hardening was evident, most markedly at the shorter end. The three-month rate ended the week 1/4% down at 12 5/16%.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.1029 to 11.4276.

LOCAL AUTHORITY BONDS

The rate for one-year negotiable bonds fell by 1/4% to 12 1/8%. Issues amounted to £14.2mn (£11.6mn last week) against maturities of £14.7mn.

GILTS

The market continued to be subdued following the heavy sales after the Budget; prices fell quite sharply at the long end on news of the March banking figures which were not as good as many commentators had expected.

The market made modest gains on Wednesday though tenders for 11 7/2% Treasury 1985 were small. Some of the stock was sold the following day at 1/16 premium (15-paid), but activity tailed off in the afternoon and earlier small gains were lost by the close. The easier tendency continued initially on Friday in very quiet conditions, but the market later recovered to close 1/8 better on balance.

After the weekend, sentiment was affected by the situation in Poland and by concern over US interest rates; prices drifted lower on Monday in quiet trading. Yesterday, the market opened up to 1/4 lower reflecting some selling after hours on Monday. Prices remained steady ahead of the March banking figures, but further selling developed following news of the indicated rise in EM_3 and longs ended the day up to 1 lower.

Over the week as a whole, prices of shorts showed a mixed trend but were generally little changed; prices of longs fell by around 3/4, with the index-linked stock about 1/4 lower.

EQUITIES

The market's recent firmer trend continued on Wednesday and Thursday amid hopes of a further cut in MLR and optimism that the recession may be bottoming out. The FT all-share index reached an all-time peak on Thursday of 317.01 amid widespread institutional demand; activity also continued to be boosted by "bed and breakfast" deals in advance of the end of the financial year. Prices were slightly easier on Friday reflecting some profit-taking and this tendency gathered momentum on Monday with confidence undermined by the tension in Poland. The market remained weak at yesterday's opening with sentiment affected by the dull performance of Wall Street. The Brezhnev speech prompted some improvement but this was lost on news of the March banking figures. The 30-share index ended the day 7.7 lower at 525.8, a fall of 2.3 over the week as a whole.

NEW ISSUES

Queue

In the light of the banking figures, Pemex have deferred a bulldog issue of £75mn previously scheduled for announcement today; they may go ahead later in the week. Three new equity issues were added to the queue including a proposed rights issue of £700mn by BP. This will be more than three times as large as the previous record issues by ICI (June 1976) and Consolidated Goldfields (December 1980). In addition, Northern Engineering Industries and Barratt Developments are to make rights issues of £25mn and £22mn respectively. The queue now totals £1,441mn against £717mn last week.

Waiting list

Lothian have been added to the waiting list for stock issue of £50mn.

(Init EAJG)

8 April 1981

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases -)

1. Transactions (cash value)

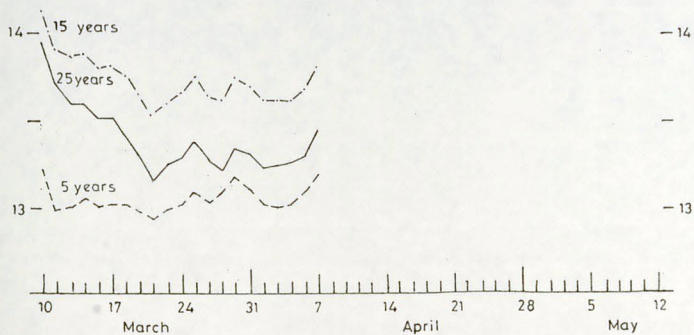
| | 1.4.81 <u>- 7.4.81</u> | Cal.Qtr. and <u>Fin.Year to date</u> | 18.2.81 to date |
|------------------------------|---------------------------|---|--------------------|
| Issue Department | | | |
| Purchases/sales | - 19 | - 19 | - 448 |
| Next Maturities | + 35 | + 35 | + 539 |
| Other short-dated | + 16 | + 16 | + 91 |
| Mediums | + 220* | + 220 | + 897 |
| Longs and undated | + 13 | + 13 | + 1,040 |
| Total Issue | | | |
| Department trans- actions | + 249 | + 249 | + 2,028 |
| CRND | + 2 | + 2 | + 50 |
| Redemptions | - 204 | - 204 | - 299 |
| | <u>+ 47</u> | <u>+ 47</u> | <u>+ 1,779</u> |

*Includes +233 from call on 12 1/2% Exchequer Stock 1990

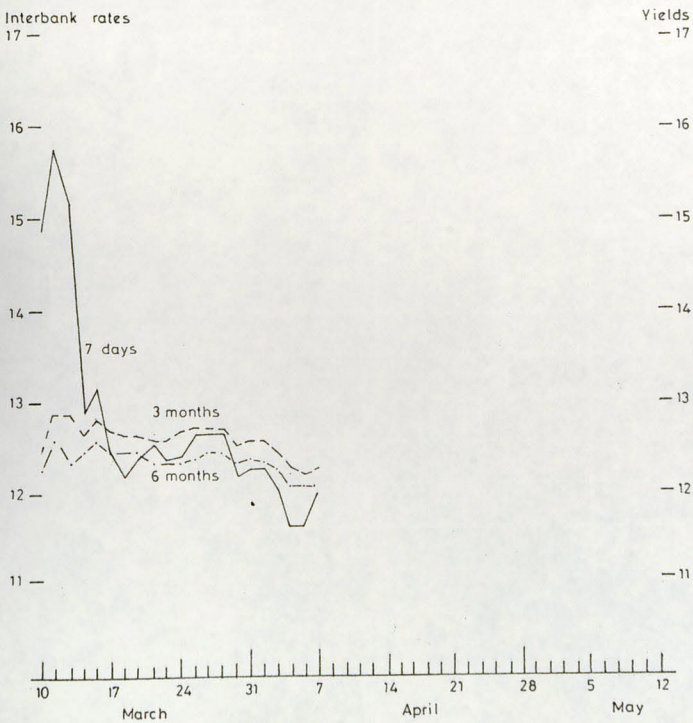
2. Redemption Yields (tax ignored)

| | 31 March | 7 April | Change |
|----------------------------------|----------|---------|--------|
| 12 3/4% Exchequer 1981 | 12.17 | 11.95 | -0.22 |
| 13 1/2% Exchequer 1983 | 12.79 | 12.93 | +0.14 |
| 12% Treasury 1984 | 12.70 | 12.57 | -0.03 |
| 13 1/4% Exchequer 1987 | 13.14 | 13.30 | +0.16 |
| 13% Treasury 1990 | 13.45 | 13.60 | +0.15 |
| 2% Index-Linked Treasury 1996 | 2.07 | 2.10 | +0.03 |
| 12 1/4% Exchequer 1999 | 13.49 | 13.65 | +0.16 |
| 11 1/2% Treasury 2001/04 | 13.15 | 13.29 | +0.14 |
| 12% Exchequer 2013/17 | 12.78 | 12.92 | +0.14 |
| 3 1/2% War (Flat Yield) | 11.31 | 11.47 | +0.16 |

Gilt edged yields (FT High coupon)



Interbank rates



NEW ISSUES

| | Fixed interest (excl convertibles) | | | Equities |
|--|---|--|--|--|
| | Domestic borrowers | Foreign borrowers | Convertibles | |
| TOTAL QUOTE* OF which issues of 10 or more: | <u>172</u> | <u>230</u> | <u>71</u> | <u>268</u> |
| Current week (8/4-10/4) | | Pemex (8/4) 75 | | |
| Week 2 (13/4-16/4) | Swansea (offer for sale) (13/4) 10 | | | Advent Technology plc (offer for sale) (13/4) 10 Electra Risk Capital Ltd (offer for sale) (13/4) 20 Laing Properties Ltd (rights) (14/4) 20 <u>Northern Engineering Industries Ltd</u> (Rights) (15/4) 25 |
| Week 3 (21/4-24/4) | | | | Rowntree Mackintosh Ltd (rights) 25 (23/4) |
| Week 4 (27/4-1/5) | BOC International Ltd (placing) (28/4) 50 | | | Split Level Investment Trust (Offer for sale) (27/4) 30 |
| Week 5 (5/5-8/5) | | Republic of Finland (Offer for sale) (5/5) 50 | | <u>Barratt Developments Ltd (Rights)</u> (8/5) 22 |
| Week 6 (11/5-15/5) | Sunderland (11/5) 25 | | Nissan Motor Co Ltd ϕ (12/5) 50 | Cambridge Electronic Industries Ltd (Offer for sale) (13/5) 20 |
| Week 7 (18/5-22/5) | | Hydro Quebec (18/5) 75 | | |

Port/Coming

Allied Breweries
Ltd (Placing)
(14/7) 50

Gaz de France
(28/5) 30

Percy Bilton
Ltd (27/5) 16

Hamilton Brothers
Oil Company (Great
Britain) Ltd (offer
for sale) (28/5) 20
Hadson Petroleum
(UK) Ltd (offer for
sale) (4/6) 10
British Petroleum
Co Ltd (Rights)
(18/6) 700
Habitat Design
Holdings Ltd
(offer for sale)
(24/9) 15

| | | | |
|-------------------|--------------|-----|-------|
| Issues announced: | 1978 | 60 | 959 |
| | 1979 | 162 | 946 |
| | 1980 | 290 | 1,066 |
| | 1981 to date | 29 | 215 |
| Issues completed | 1978 | 63 | 910 |
| | 1979 | 150 | 979 |
| | 1980 | 294 | 945 |
| | 1981 to date | 33 | 350 |

*Includes issues of 3 or more

†Includes issues of less than 3

♠Foreign borrower.

8 April 1981

Per cent *Time Yield Curves of British Government Stocks*

8th April 1981

