see copy filed behind O/A comments

SECRET

E.A.G.

DTRC.

15. 4.81

MK15: 1053

Given our concerns on "insider trading", the notes on the queue (p3) and the queue itself are two of our most vulnerable areas. e.g. I see today a future rights issue by a coy. whose shares my wife holds. – I'll have to be very careful for a month or two if she asks my advice about any purchases or sales of shares. Can we make it a rule that the queue is only circulated to those who need to know and that names are not mentioned in the main note?
15/4

NOTE FOR WEDNESDAY MEETING

MARKETS: 8 APRIL 1981 TO 14 APRIL 1981

MONEY

Market conditions were relatively easy throughout the week except on Friday.

The effects of the Civil Service strike on Exchequer forecasting continued to be a dominant factor, substantial swings occurring against the market at the beginning of the week and in the opposite direction from Friday onwards (though Monday's swing was in fact due to an unanticipated Government payment to BL). Despite this there was little pressure until Friday, though Wednesday saw a slight shortage due to the unwinding of an earlier bill repurchase agreement. Friday was extremely short, the market being affected by the final call on 12% Treasury 1986 and by a sizeable increase in the note circulation. On Monday the large Government payment to BL almost completely offset the effect of a very substantial maturity of eligible bills in the Bank's hands.

The Bank gave assistance to the market in small amounts on Wednesday and Monday and to an exceptionally large extent - almost entirely by purchase of eligible bank bills - on Friday.

Interbank rates at all maturities showed very little change over the week. At the short end, a generally easy tendency was offset by marked firmness on Friday, while at three months and over movements throughout the week were minor and indecisive. The three month rate finished unchanged at 12 1/4%.

There was a similar lack of significant movement in Eurosterling rates, though these ended the week a little higher at almost all maturities. The three month rate was 1/16% up at 12 5/16%.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.0784 to 11.3492.

CB 22/4 DTRC 23/4

LOCAL AUTHORITY BONDS

The rate for one year bonds rose by 1/8% to 12 1/4%. Issues amounted to £13.5mn (£14.2mn last week) against maturities of £15.75mn.

GILTS

The market remained subdued with sentiment affected after the weekend by the rise in US interest rates and the collapse of Hedderwick.

The market steadied on Wednesday after the adverse reaction to the March banking figures. Prices tended to drift lower on Thursday but some buying interest emerged the following day.

After the weekend, sentiment was affected on Monday by the renewed upturn in US interest rates and by the failure of Hedderwick; longs closed up to 1 point lower. Yesterday saw some recovery although trading was very quiet.

Over the week as a whole, prices of shorts were slightly higher while longs fell by up to 5/8; the price of the index-linked stock rose, however, by 3/8 to 35 (35-paid).

EQUITIES

After an easier spell over the previous few days, institutional interest revived strongly on Wednesday reflecting the improved situation in Poland and the feeling that the March banking figures did not necessarily rule out an early cut in MLR. Conditions remained extremely firm on Thursday and by the close the FT index had advanced over the two days by 24 points to 549.8, just short of the all-time high of 558.6 (May 1979). Further advances occurred on Friday morning, but interest petered out in the afternoon with the hammering of Hedderwick a late adverse influence. This put a continued damper on sentiment on Monday and prices turned easier. A more optimistic mood was apparent yesterday with the latest industrial production figures providing a further indication that the recession may have bottomed out. Engineering shares were in particular demand but general activity was restrained ahead of the Easter holiday and the FT index rose by only 2.2 on the day to 548.8, a rise of 23.0 over the week as a whole.

NEW ISSUES

Queue

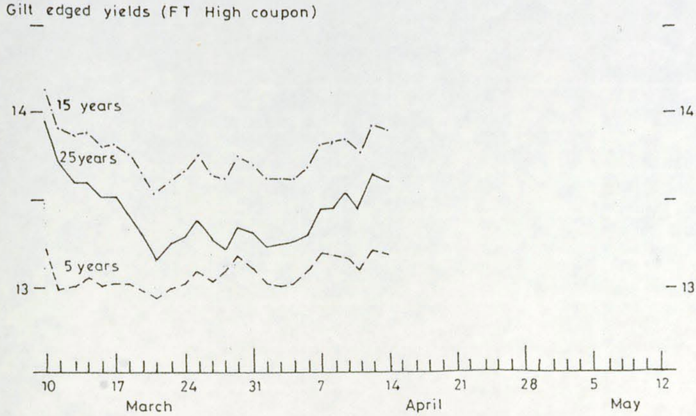
Four issues of £10mn or more were added to the queue. Of these, Guardian Royal Exchange Assurance is planning a rights issue of up to £100mn; and BOC International is to make a rights issue of convertible stock of £75mn (this replaces the same borrower's proposed straight issue of loan stock). The queue now totals £1,475mn against £1,441mn last week.

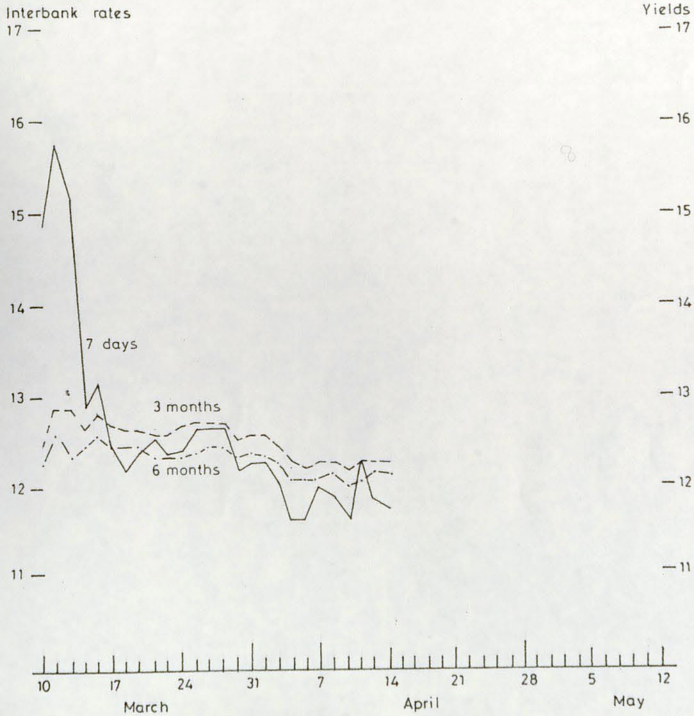
Waiting List

The Mexican Government (£50-75mn) and Australia have asked to be placed on the waiting list for bulldog issues. A number of UK local authorities are also contemplating stock issues.

(Init ALC)

15 April 1981


Gilt edged yields (FT High coupon)
14
13
15 years
25years
5 years
10
17
24
31
7
14
21
28
5
12
March
April
May


Interbank rates
Yields
17
16
15
14
13
12
11
7 days
3 months
6 months
10
17
24
31
7
14
21
28
5
12
March
April
May

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases -)

1. Transactions (cash value)

	8.4.81 -14.4.81	Cal.Qtr. and Fin.Year to date	18.2.81 to date
Issue Department Purchases/sales			
Next Maturities	- 38	- 57	- 486
Other short-dated	+ 4	+ 39	+ 543
	- 34	- 19	+ 57
Mediums	+ 451*	+ 672	+ 1,348
Longs and undated	+ 4	+ 16	+ 1,044
Total Issue Department transactions	+ 421	+ 670	+ 2,449
CRND	+ 4	+ 6	+ 54
Redemptions	- 2	- 206	- 301
	+ 423	+ 469	+ 2,202

*Includes + [illegible]15 from call on 12% Treasury Stock 1986

2. Redemption Yields (tax ignored)

	7 April	14 April	Change
12 3/4% Exchequer 1981	11.95	12.15	+0.20
13 1/2% Exchequer 1983	12.93	12.69	-0.24
12% Treasury 1984	12.67	12.63	-0.04
13 1/4% Exchequer 1987	13.30	13.27	-0.03
13% Treasury 1990	13.60	13.60	-
2% Index-Linked Treasury 1996	2.10	2.07	-0.03
12 1/4% Exchequer 1999	13.65	13.75	+0.10
11 1/2% Treasury 2001/04	13.29	13.42	+0.13
12% Exchequer 2013/17	12.92	13.04	+0.12
3 1/2% War (Flat Yield)	11.47	11.54	+0.07

SECRET

£ millions

NEW ISSUES

	Fixed interest (excl convertibles)			
	Domestic borrowers	Foreign borrowers	Convertibles	Equities
TOTAL QUEUE*	130	155	164	1026
Of which issues of 10 or more:				
Current week (15/4-16/4)				
Week 2 (21/4-24/4)				Rowntree Mackinstosh Ltd (rights) (23/4) 25
Week 3 (27/4-1/5)				Split Level Investment Trust (Offer for sale) (27/4) 30 Northern Engineering Industries Ltd (Rights) (1/5) 25
Week 4 (5/5-8/5)		Republic of Finland (Offer for sale) (5/5) 50		Barratt Developments Ltd (Rights) (8/5) 22
Week 5 (11/5-15/5)	Sunderland (11/5) 25		Nissan Motor Co Ltd ø (12/5) 50	Cambridge Electronic Industries Ltd (Offer for sale) (13/5) 20
Week 6 (18/5-22/5)		Hydro Quebec (18/5) 75		Guardian Royal Exchange Assurance Ltd (rights) (22/5) 100

Week 7 (26/5-29/5)		Gaz de France (28/5) 30	BOC International Ltd (rights) (26/5) 75 Percy Bilton Ltd (27/5) 16	Hamilton Brothers Oil Company (Great Britain) Ltd (offer for sale) (28/5) 20
Forthcoming	The South Staffordshire Waterworks Co (offer for sale by tender) (8/7) 10 Allied Breweries Ltd (Placing) (14/7) 50		Property Holdings & Investment Trust Ltd (rights) (16/6) 15	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	219
≠Issues completed	1978	63	910
	1979	150	979
	1980	284	945
	1981 to date	35	378

*Includes issues of 3 or more
≠Includes issues of less than 3
ø Foreign borrower

15 April 1981

Time / Yield Curves of British Government Stocks

15th April 1981