

NOTE FOR WEDNESDAY MEETING

MARKETS: 15 APRIL 1981 TO 21 APRIL 1981

MONEY

This report covers only three days owing to the Easter holiday.

The market experienced some moderate pressure on Wednesday, when payments into Government accounts late in the day reduced the size of an anticipated favourable Exchequer swing. On Thursday, and again on Tuesday, conditions were exceptionally short with maturities of eligible bank bills in the Bank's hands a major factor on both days. The market was also affected on Thursday by an unfavourable Exchequer movement, and by a sizeable increase in the note circulation and on Tuesday by the unwinding of a previous bill repurchase agreement with the Bank.

Assistance by the Bank was necessary on all three days, that on Thursday and Tuesday being exceptionally large and involving the outright purchase of almost £0.8 bn of eligible bank bills.

Interbank rates showed a steady to firm tendency at all maturities. Short rates rose particularly sharply on Thursday, resulting in a rather flat yield curve with no more than 3/8% spread between the highest (overnight) and the one-year rates. The three month rate finished 1/8% higher at 12 3/8%.

Eurosterling rates were also firm throughout, and remained very much in line with domestic rates. The three month rate moved similarly from 12 1/4% to 12 3/8% over the week.

At the Treasury Bill tender on Thursday the average rate of discount fell by 0.0609 to 11.2883.

LOCAL AUTHORITY BONDS

The rate for one-year bonds rose by 1/8% to 12 3/8%. Issues amounted to £16.6 mn (£15.75 mn last week) against maturities of £13.5 mn.

GILTS

Trading was quiet before and after the holiday, though prices made modest headway.

The market was very quiet before the holiday weekend. A slightly firmer tendency was evident on Thursday, helped by the better than expected March RPI, and this continued yesterday with gains of up to 1/2 at the longer end.

Over the week as a whole prices of shorts rose by up to 1/8 and longs by up to 3/4. The index-linked stock rose by 5/8 to 35 5/8 (35-paid).

EQUITIES

After a quiet but steady day on Wednesday, the market encountered a wave of unexpected buying on Thursday. With the jobbers short of stock, the FT 30-share index recorded its biggest rise in two years to move to a new all-time high of 566.5; the more broadly based all-share index also reached a new peak (324.15). Optimism about the economic outlook and, in particular, the prospects for company profits continued to be the underlying influence with the March RPI an additional favourable factor. After the holiday the market opened firm, but most sectors succumbed to profit-taking. However, the underlying tone remained strong and the 30-share index finished the day only 2.4 lower at 566.1, a rise of 17.3 over the week as a whole.

NEW ISSUES

Queue

Five issues of £10 mn or more were added to the queue. Of these, the IBRD is due to make a five-year bulldog issue (by offer for sale) of £100 mn next week; and Cadbury Schweppes is to make a rights issue of £50 mn. The queue now stands at £1,644 mn against £1,475 mn last week.

(Init EAJG)

22 April 1981

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases -)

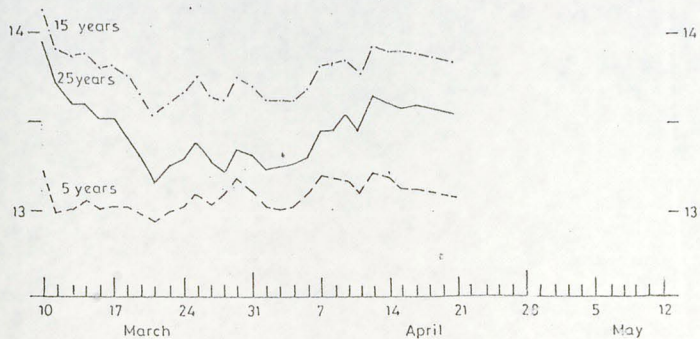
1. Transactions (cash value)

	15.4.81 <u>-21.4.81</u>	Cal.Qtr. and <u>Fin.Year to date</u>	18.2.81 <u>to date</u>
Issue Department			
Purchases/sales			
Next Maturities	- 10	- 67	- 496
Other short-dated	- 16	+ 23	+ 527
	- 26	- 44	+ 31
Mediums	+ 39	+ 711	+ 1,387
Longs and undated	+ 9	+ 24	+ 1,053
Total Issue			
Department trans- actions	+ 22	+ 691	+ 2,471
CRND	+ 1	+ 7	+ 55
Redemptions	-	- 206	- 301
	+ 23	+ 492	+ 2,225

2. Redemption Yields (tax ignored)

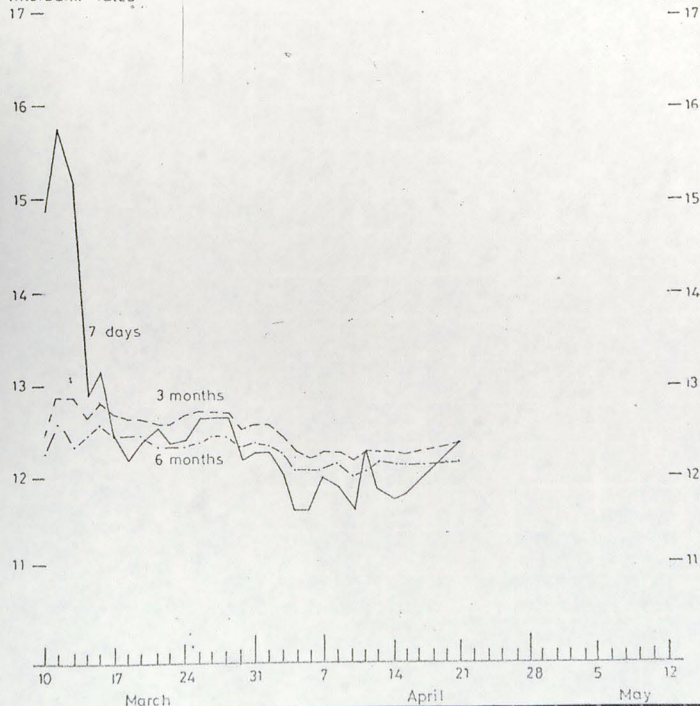
	14 April	21 April	Change
12 3/4% Exchequer 1981	12.15	11.42	-0.73
13 1/2% Exchequer 1983	12.69	12.65	-0.04
12% Treasury 1984	12.63	12.58	-0.05
13 1/4% Exchequer 1987	13.27	13.15	-0.12
13% Treasury 1990	13.60	13.55	-0.05
2% Index-Linked Treasury 1996	2.07	2.03	-0.04
12 1/4% Exchequer 1999	13.75	13.66	-0.09
11 1/2% Treasury 2001/04	13.42	13.35	-0.07
12% Exchequer 2013/17	13.04	12.97	-0.07
3 1/2% War (Flat Yield)	11.54	11.52	-0.02

Gilt edged yields (FT High coupon)



Interbank rates

Yields



NEW ISSUES

Fixed interest
(excl convertibles)

	Domestic borrowers	Foreign borrowers	Convertibles	Equities
TOTAL QUEUE* Of which issues of 10 or more:	<u>130</u>	<u>255</u>	<u>179</u>	<u>1100</u>
Current week (22/4-24/4)				Rowntree Mackintosh Ltd (rights) (23/4) 25
Week 2 (27/4-1/5)		IBRD (offer for sale) (27/4) 100		Split Level Investment Trust (offer for sale) (27/4) 30
Week 3 (5/5-8/5)		Republic of Finland (Offer for sale) (5/5) 50		Northern Engineering Industries Ltd (rights) (1/5) 25
Week 4 (11/5-15/5)	Sunderland (11/5) 25		Nissan Motor Co Ltd (offer for sale) (12/5) 50	Cadbury Schweppes Ltd (rights) (7/5) 50
Week 5 (18/5-22/5)		Hydro Quebec (18/5) 75		Barrett Developments Ltd (rights) (8/5) 22
Week 6 (26/5-29/5)		Gaz de France (28/5) 30	BOC International Ltd (rights) (26/5) 75	Cambridge Electronic Industries Ltd (offer for sale) (13/5) 20
			Percy Bilton Ltd (27/5) 16	Jefferson Smurfit Group Ltd (rights) (15/5) 14
				Guardian Royal Exchange Assurance Ltd (rights) (22/5) 100
				Hamilton Brothers Oil Company (Great Britain) Ltd (offer for sale) (28/5) 20

SECRET

Week 7
(1/6-5/6)

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
Chloride Group
Ltd (rights)
(2/7) 15

Hadson Petroleum
(UK) Ltd (offer
for sale) (4/6) 10

British Petroleum
Co Ltd (rights)
(18/6) 700
KCA Drilling Ltd
(offer for sale)
(7/7) 13

Habitat Design
Holdings Ltd
(offer for sale)
(24/9) 15

⊕ /Issues announced:	1978	60	950
	1979	162	940
	1980	290	1,066
	1981 to date	53	221
∕Issues completed	1978	63	910
	1979	150	970
	1980	284	945
	1981 to date	35	378

*Includes issues of 3 or more

∕Includes issues of less than 3

⊕ Foreign borrower

⊕

22 April 1981

TIME YIELD CURVE

The attached Time Yield Curve is the first to have been drawn by the Bank's computer-based graph plotter. Future curves will also be drawn by this method. Some minor differences in lay out will be evident but otherwise the curve contains the same information as previously.

Financial Statistics Division
Public Sector Financing Group HO-4
21 April 1981

(4342)

Per cent Time / Yield Curves of British Government Stocks

22nd April 1981

