

NOTE FOR WEDNESDAY MEETING

MARKETS: 29 APRIL 1981 TO 5 MAY 1981

MONEY

This report covers only four days owing to the Bank Holiday.

The market enjoyed easy conditions on both last Wednesday and yesterday, chiefly due to a (forecast) favourable net Exchequer position and, particularly on the latter day, to substantial next-maturity gilt purchases by the Bank. The Exchequer was also in deficit on the two intervening days, but considerable pressure on funds was nevertheless experienced largely as a result of maturing commercial bills in the Bank's hands, the unwinding of a large repurchase agreement and (on Friday) the call on 2% Index-Linked Treasury Stock 1996.

Assistance to the market, predominantly in the form of outright purchases of eligible bank bills, was necessary on Thursday and Friday.

Though some upward pressure on short rates was evident at the beginning of the week prior to the return of the 10% RAR on Thursday, Wednesday's easy conditions coupled with the Bank's ample assistance on the following day helped to keep the effect to a minimum. The overnight and seven-day rates declined quite sharply from Friday onwards.

Longer rates showed little change until Tuesday when a general firmness developed in the wake of a further rise in US rates. The three-month rate finished 1/8% up at 12 5/8%.

Eurosterling was an active market and rates were generally firm, particularly on Tuesday. The three-month rate rose by 1/16% to 12 5/8%.

At the Treasury Bill tender on Friday the average rate of discount rose by 0.0407 to 11.2851.

LOCAL AUTHORITY BONDS

The rate for one-year bonds rose by 1/4% to 12 5/8%. Issues remained at £18 1/2mn against maturities of £17mn.

GILTS

After a somewhat improved tone last Wednesday and Thursday, the market became uneasy again before the weekend and prices fell sharply thereafter following a further rise in US interest rates.

The market was steadier but very quiet on Wednesday with little change in prices. Shorts were firmer for most of the day but lost their gains just before the close following news of a rise in US prime rates to 18%. Prices throughout the list firmed modestly on Thursday, but selling on Friday associated with concern over US interest rates caused losses of up to 1/4 in shorts and 5/8 in longs. Dealings in the new IBKD 13 1/2% 1985 opened at 29 3/4 and closed at 29 11/16 (30-paid).

After the holiday weekend, prices were marked down at the opening following the further sharp rise in US rates. This failed to deter selling which remained persistent throughout the day with prices of shorts being driven down in places by up to 1 3/4 and longs by up to 2 1/2. The FT Government Securities Index closed at its lowest point since June 1980.

Over the week as a whole prices of shorts generally fell by up to 1 3/4 and of longs by around 2 3/8; at yesterday's close the index-linked stock, which saw sizeable selling on Tuesday in line with the conventional market, was standing at 2 points discount (65-paid).

EQUITIES

The market only just failed to breach the 600 barrier on Thursday but slumped yesterday on the rise in US rates.

The market steadied on Wednesday following the previous day's profit-taking and most sectors moved higher in quiet trading helped by some favourable trading announcements. On Thursday the upward trend was given fresh impetus by the better than expected first quarter results from ICI and the index jumped by 17.4 to reach a

new record of 597.3. The following day saw some reaction but the decline in prices was only modest. Yesterday the market opened sharply lower following the rise in US rates and continued to decline on profit-taking with the index ending the day 15.0 lower at 576.9, but still showed a rise of 2.4 over the week as a whole.

NEW ISSUES

Queue

The flow of new issues has continued reflecting the recent strength of the equity market and the demand for bulldog issues. Seven new issues of £10mn or more were added to the queue this week: these include rights issues by Hill Samuel (£15mn), Inchcape & Co Ltd (£75mn) and Hanson Trust Ltd (£30mn). In the bulldog market, the Canadian company Inco Ltd is to make a placing of up to £50mn of 25-year loan stock.

The queue now totals £1,708mn against £1,550mn last week and the straight equity component has increased by 30% in the last month.

Finland's £50mn bulldog issue has been announced. The 1986 stock offers a margin of 3/4% over 12% Treasury 1986 compared with 1/2% on the IBRD issue.

(Init EAJG)

6 May 1981

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases -)

1. Transactions (cash value)

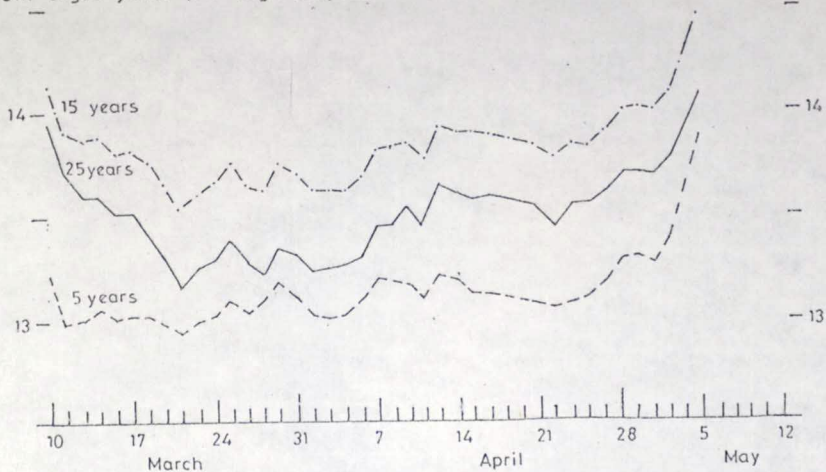
	29.4.81	Cal.Qtr. and	18.2.81
	<u>- 5.5.81</u>	<u>Fin.Year to date</u>	<u>to date</u>
Issue Department			
Purchases/sales			
Next Maturities	- 484	- 647	- 1,086
Other short-dated	- 5	+ 22	+ 510
	- 489	- 625	- 576
Mediums	- 19	+ 708	+ 1,423
Longs and undated	+ 256*	+ 291	+ 1,328
Total Issue			
Department trans-			
actions	- 252	+ 374	+ 2,175
CRND	+ 6	+ 18	+ 67
Redemptions	-	- 206	- 301
	- 246	+ 186	+ 1,941

* Includes +270 from call on 2% Index-Linked Treasury 1996

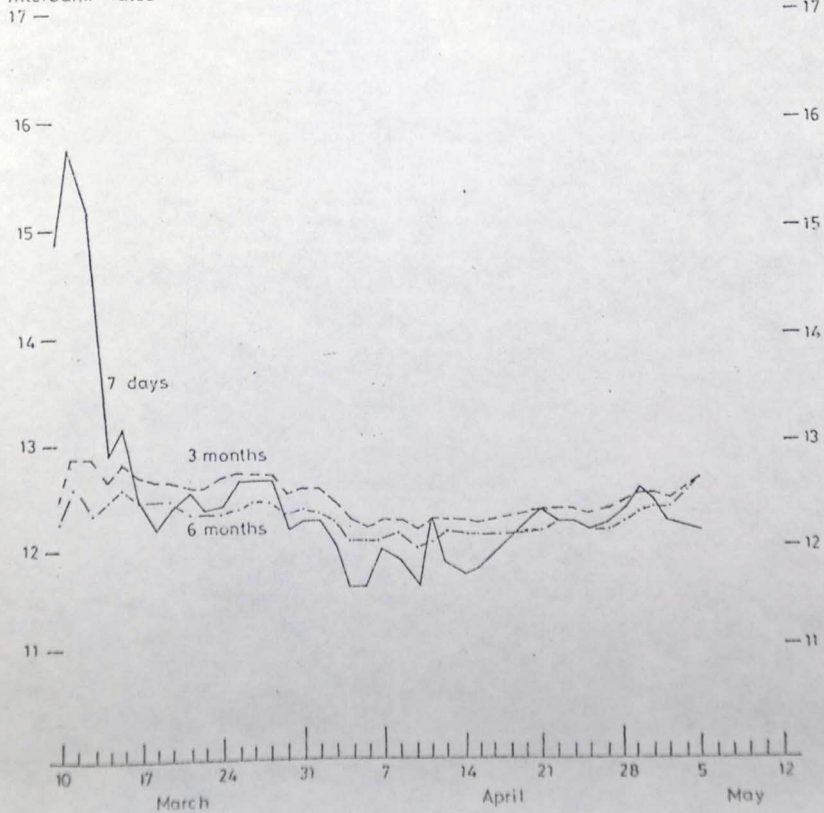
2. Redemption Yields (tax ignored)

	<u>28 April</u>	<u>5 May</u>	<u>Change</u>
12 3/4% Exchequer 1981	11.40	11.63	+0.23
13 1/2% Exchequer 1983	12.99	13.57	+0.58
12% Treasury 1984	12.89	13.54	+0.65
13 1/4% Exchequer 1987	13.37	13.79	+0.42
13% Treasury 1990	13.73	14.34	+0.61
2% Index-Linked Treasury 1996	2.09	2.25	+0.16
12 1/4% Exchequer 1999	13.85	14.25	+0.40
11 1/2% Treasury 2001/04	13.51	13.94	+0.43
12% Exchequer 2013/17	13.13	13.41	+0.28
3 1/2% War (Flat Yield)	11.60	11.97	+0.37

Gilt edged yields (FT High coupon)



Interbank rates



NEW ISSUES

	<u>Fixed interest</u> (excl convertibles)			
	<u>Domestic borrowers</u>	<u>Foreign borrowers</u>		
TOTAL QUEUE*	<u>105</u>	<u>155</u>		<u>1269</u>
OF which issues of 10 or more:				
Current week (6/5-8/5)				Barratt Developments Ltd (rights) (8/5) 22
Week 2 (11/5-15/5)				European Ferries Ltd (rights) (11/5) 50 Cadbury Schweppes Ltd (rights) (12/5) 50 Jefferson Smurfit Group Ltd (rights) (15/5) 14
Week 3 (18/5-22/5)		Hydro Quebec (20/5) 75	Nissan Motor Co Ltd ♂ (20/5) 50	Guardian Royal Exchange Assurance Ltd (rights) (22/5) 100
Week 4 (26/5-29/5)		Gaz de France (28/5) 30	BCC International Ltd (rights) (26/5) 75 Percy Bilton Ltd (27/5) 16	KCA Drilling Ltd (offer for sale) (28/5) 20
Week 5 (1/6-5/6)				<u>Split Capital</u> <u>Investment Trust</u> <u>(offer for sale)</u> <u>(1/6) 20</u> Hadson Petroleum (UK) Ltd (offer for sale) (4/6) 10 Cambridge Electronic Industries Ltd (offer for sale) (5/6) 20
Week 6 (8/6-12/6)				

SECRET

Week 7 (15/6-19/6)			Property Holdings & Investment Trust Ltd (rights) (16/6)	British Petroleum Co Ltd (rights) (18/6)
Forthcoming	The South Staffordshire Waterworks Co (offer for sale by tender) (8/7)	Inco Ltd (placing) (30/6)	Chloride Group Ltd (rights) (24/6)	Hamilton Bros Oil Company (Great Britain) Ltd (offer for sale) (7/7)
	Allied Breweries Ltd (placing) (14/7)	50	15	20
				Gold & Precious Metal Investment Trust (offer for sale) (9/7)
				20
				Hill Samuel Group Ltd (rights) (10/7)
				15
				Inchcape & Co Ltd (rights) (15/7)
				75
				Hanson Trust Ltd (rights) (21/7)
				30
				Emirex Petroleum Ltd (offer for sale) (22/7)
				10
				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	67	287
/Issues completed	1978	63	910
	1979	150	979
	1980	284	945
	1981 to date	42	404

*Includes issues of 3 or more

/Includes issues of less than 3

øForeign borrower

6 May 1981

Per cent Time / Yield Curves of British Government Stocks

6th May 1981

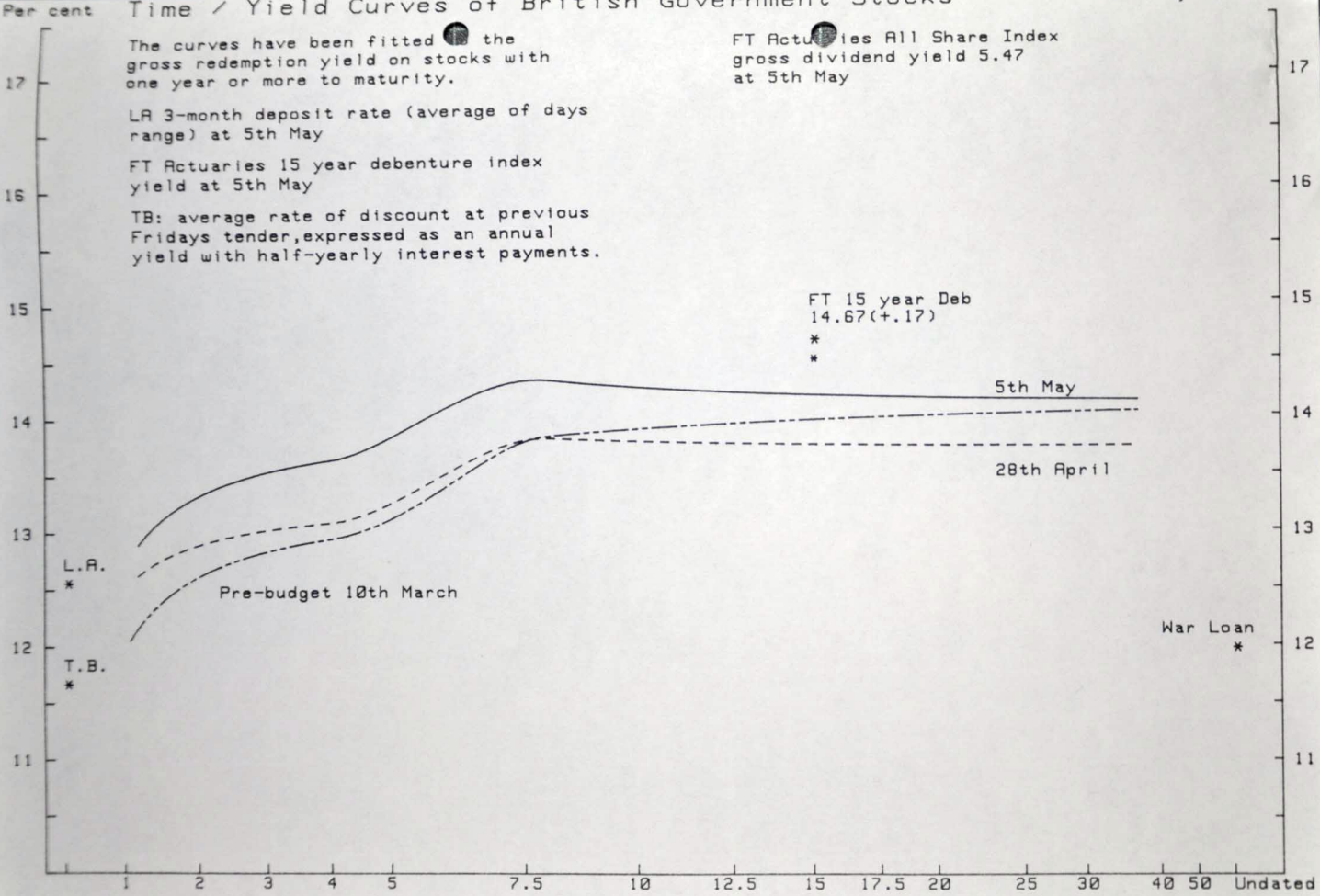
The curves have been fitted to the gross redemption yield on stocks with one year or more to maturity.

FT Actuaries All Share Index gross dividend yield 5.47 at 5th May

LA 3-month deposit rate (average of days range) at 5th May

FT Actuaries 15 year debenture index yield at 5th May

TB: average rate of discount at previous Fridays tender, expressed as an annual yield with half-yearly interest payments.



MLR=12.00% (previously 14.00% at 10th March)

Years to maturity