

NOTE FOR WEDNESDAY MEETING

MARKETS: 13 MAY 1981 TO 19 MAY 1981

MONEY

Though conditions on the first day of the week were generally comfortable, the effect of large maturities of commercial and Local Authority bills in official hands was reflected in a running down of bankers' balances which contributed to rather greater stringency on Thursday. On Friday the call on 12 1/2% Exchequer 1990 was offset by the maturity of Treasury Bills sold by the Bank in the week beginning 4 May, and the net Exchequer position strongly favoured the market; some difficulty in obtaining funds was nevertheless still experienced due to a further shortfall on bankers' balances, a rise in the note circulation and again by maturities of commercial bills in the Bank's hands.

Conditions on both days after the weekend were fairly flat, a continuing favourable net Exchequer position being offset chiefly by further maturities of eligible bank and Local Authority Bills.

The Bank gave assistance to the market on every day but Monday, chiefly by the outright purchase of Treasury and Local Authority Bills.

After an easy opening to the week short inter-bank rates firmed on Thursday and Friday. Monday saw an initially easier tendency, but rates rose sharply at the close, and the same pattern - apparently due to localised shortages with a few institutions - was evident the following day.

There was very little movement in longer rates during the week. The three-month rate finished unchanged at 12 5/16%.

Euro-sterling rates up to one month showed a slightly easier tendency, but the three-month rate was steady at 12 5/16% throughout, and at six months and over some firmness was evident. This was particularly marked at the end of the week, probably reflecting further rises in US rates.

At the Treasury Bill tender on Friday the average rate of discount rose by 0.0342 to 11.3370.

LOCAL AUTHORITY BORROWING

Local authority bond rates were unchanged this week across the maturity spectrum; the rate for one-year bonds was 12 3/4%. Issues amounted to £17.8mn (£16.9mn last week) against maturities of £19.55mn.

GILTS

The market showed signs of recovering confidence, particularly at the longer end, despite a further rise in US prime rates.

The market opened slightly firmer on Wednesday with the appearance of some new investment funds, however best prices were not held to the close. On Thursday, although mediums and longs continued firm some uncertainty on the sterling exchange rate and international interest rates brought uneasiness in shorts. On Friday, predictions that US rates would fall over the next few months, together with the absence of a new long tap, encouraged rises of up to 3/4 in the longer maturities. This firm tone was maintained on Monday and although prices closed below best levels on news of US prime rate rises, longs were again up to 3/4 higher. Yesterday the firm conditions generated demand for the short tap 11 1/2% Treasury 1985 and moderate amounts were sold at 27 7/16. Over the week as a whole prices of shorts were up to 1/2 higher and mediums and longs up to 1 1/2 higher.

EQUITIES

The market continued volatile and uneasy last Wednesday, amid rumours of a further large rights issue. The appearance of some moderate investment funds on Thursday halted the decline of the previous two weeks and the Index closed 6.8 points higher. Friday was quiet but on Monday the market was encouraged by the announcement of good first quarter results by Unilever. However, enthusiasm faltered before the close on news of higher US interest rates and the Index closed only 1.3 points up on the day. Yesterday the market was depressed by substantial selling orders, renewed rumours of an imminent large rights issue and profit taking on Unilever. At the close the Index was down 6.4 at 555.9 a fall of 0.1 over the week as a whole.

NEW ISSUES

Queue

Four new issues of £10mn or more were added to the queue including a rights issue of £65mn by BICC Ltd and an offer for sale of £10mn by Astley & Pierce Ltd, the currency broking firm formerly owned by Gerrard & National. The queue now totals £1,784mn against £1,794mn last week.

Waiting list

Air Canada (£45mn), Leeds (£50mn), IBRD (£50mn) and Renault (£30mn) have been added to the waiting list for fixed interest issues.

Hydro-Quebec has launched a 30-year bulldog issue of £40mn with a coupon of 15% and priced at 96 3/4 to yield 15.51% (about 1 1/2% above a comparable gilt).

(Init EAJG)

20 May 1981

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases -)

1. Transactions (cash value)

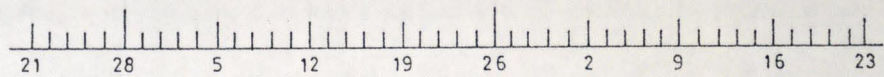
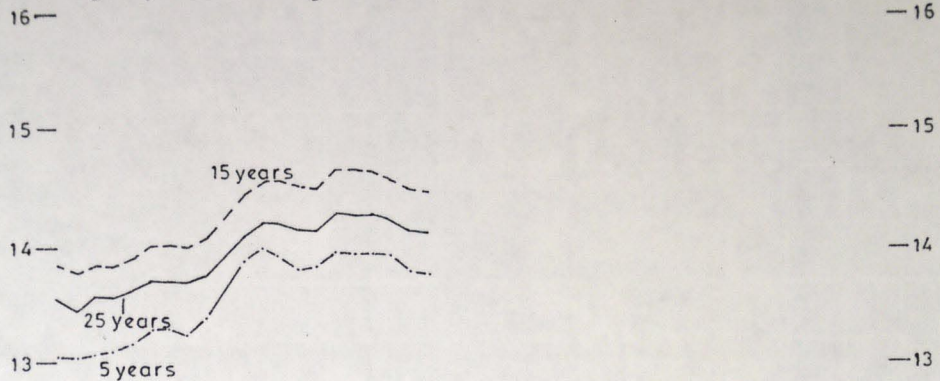
	13.5.81 <u>-19.5.81</u>	<u>Cal.Qtr. and Fin.Year to date</u>	18.2.81 <u>to date</u>
Issue Department			
Purchases/sales			
Next Maturities	- 27	- 684	- 1,123
Other short-dated	<u>+ 50</u>	<u>+ 194</u>	<u>+ 682</u>
	+ 23	- 490	- 441
Mediums	+ 570*	+ 1,310	+ 2,025
Longs and undated	<u>- 5</u>	<u>+ 281</u>	<u>+ 1,318</u>
Total Issue			
Department trans-			
actions	+ 588	+ 1,101	+ 2,902
CRND	+ 49	+ 169	+ 220
Redemptions	-	- 206	- 301
	<u>+</u>	<u>+</u>	<u>+</u>
	<u>637</u>	<u>1,064</u>	<u>2,821</u>

*of which 514 o/a final instalment on 12 1/2% Exchequer 1990

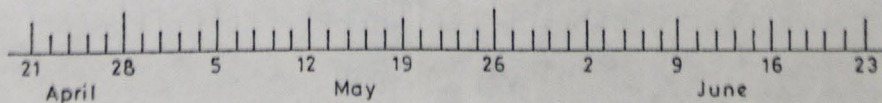
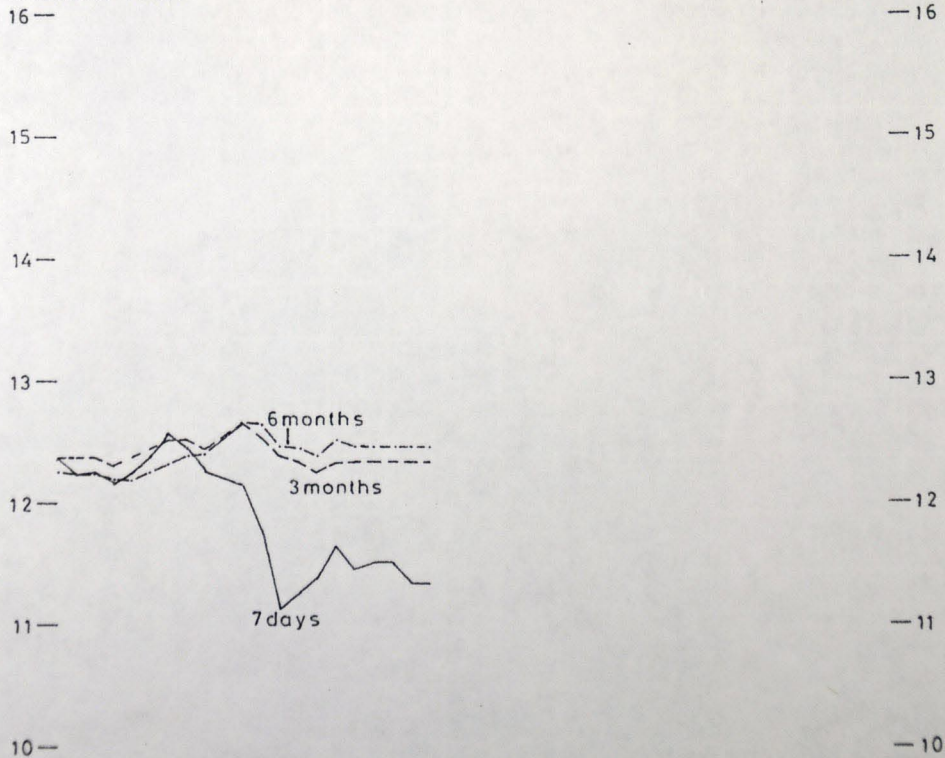
2. Redemption Yields (tax ignored)

	<u>12 May</u>	<u>19 May</u>	<u>Change</u>
12 3/4% Exchequer 1981	11.50	11.75	+0.25
13 1/2% Exchequer 1983	13.45	13.20	-0.25
12% Treasury 1984	13.52	13.33	-0.19
13 1/4% Exchequer 1987	13.99	13.76	-0.23
13% Treasury 1990	14.50	14.23	-0.27
2% Index-Linked	2.26	2.28	+0.02
Treasury 1996			
12 1/4% Exchequer 1999	14.45	14.27	-0.18
11 1/2% Treasury 2001/04	14.13	13.96	-0.17
12% Exchequer 2013/17	13.62	13.48	-0.14
3 1/2% War (Flat Yield)	12.15	11.97	-0.18

Gilt edged yields (F.T. High coupon)



Intebank rates



NEW ISSUES

	<u>Fixed interest</u> (excl convertibles)			
	<u>Domestic borrowers</u>	<u>Foreign borrowers</u>	<u>Convertibles</u>	<u>Equities</u>
TOTAL QUEUE*	<u>108</u>	<u>145</u>	<u>180</u>	<u>1351</u>
Of which issues of 10 or more:				
Current week (20/5-22/5)			Nissan Motor Co Ltd ϕ (20/5) 50	Guardian Royal Exchange Assurance Ltd (rights) (22/5) 100
Week 2 (26/5-29/5)			BOC International Ltd (rights) (26/5) 75	KCA Drilling Ltd (offer for sale) (28/5) 20
Week 3 (1/6-5/6)		Compania Telefonica Nacional de Espana (1/6) 20		Split Capital Investment Trust (offer for sale) (1/6) 20 Cambridge Electronic Industries Ltd (offer for sale) (5/6) 20
Week 4 (8/6-12/6)	Wellingborough (placing) (8/6) 10			Sapphire Petroleum PLC (offer for sale) (12/6) 15
Week 5. (15/6-19/6)			Property Holdings & Investment Trust Ltd (rights) (16/6) 15	British Petroleum Co Ltd (rights) (18/6) 700
Week 6 (22/6-26/6)		Royal Bank of Canada (22/6) 75	Chloride Group Ltd (rights) (24/6) 15	
Week 7 (29/6-3/7)		Inco Ltd (placing) (30/6) 50		

Forthcoming

The South Staffordshire Waterworks Co (offer for sale by tender)	(8/7)	10
Allied Breweries Ltd (placing)	(14/7)	50

Electrocomponents Ltd (rights)	(20/7)	15
Central Finance Co Ltd ϕ	(20/7)	10

Hamilton Bros Oil Company (Great Britain) Ltd (offer for sale)	(7/7)	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
F & C Enterprise Trust PLC (offer for sale)	(17/7)	10
Hanson Trust Ltd (rights)	(21/7)	30
Emirex Petroleum Ltd (offer for sale)	(22/7)	10
Nimslo European Holdings Ltd (offer for sale)	(23/7)	25
<u>BICC Ltd (rights)</u>		
	(28/7)	65
United Scientific Holdings Ltd (rights)	(30/7)	25
<u>An investment trust (offer for sale)</u>		
	(4/8)	10
Hadson Petroleum (International) PLC (offer for sale)	(11/8)	10
<u>William Press (rights)</u>		
	(12/8)	10
Habitat Design Holdings Ltd (offer for sale)	(24/9)	15
Second Save & Prosper Linked Investment Trust PLC (offer for sale)	(7/10)	30
Kwik Save Discount Group Ltd (rights)	(12/11)	15
<u>Astley & Pierce Ltd (offer for sale)</u>		
	(3/12)	10

/Issues announced:	1978	60	959
	1979	162	946
	1980	290	1,066
	1981 to date	67	413
/Issues completed	1978	63	910
	1979	150	979
	1980	284	945
	1981 to date	51	453

*Includes issues of 3 or more
 /Includes issues of less than 3
 øForeign borrower

20 May 1981

Per cent

Time / Yield Curves of British Government Stocks

20th May 1981

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

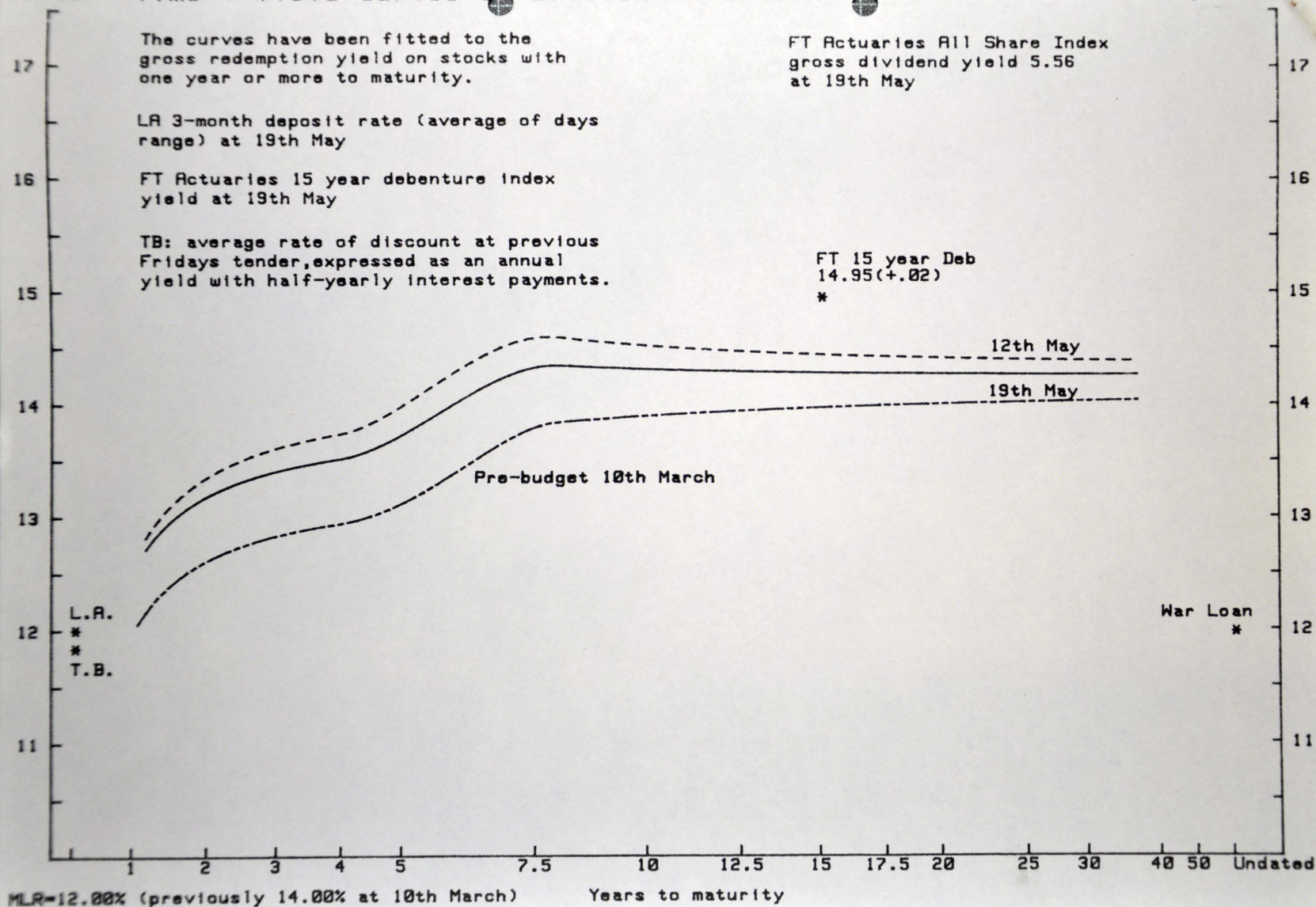
FT Actuaries All Share Index gross dividend yield 5.56 at 19th May

LR 3-month deposit rate (average of days range) at 19th May

FT Actuaries 15 year debenture index yield at 19th May

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

FT 15 year Deb
14.95(+.02)
*



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

Years to maturity