

## NOTE FOR WEDNESDAY MEETING

MARKETS: 3 JUNE - 9 JUNE 1981

## MONEY

Market conditions continued easy throughout the week, with no day being particularly short and some substantially in surplus. The chief factor involved remained the net Exchequer position, which was almost consistently favourable to the market; next-maturity gilt purchases by the Bank were also influential, particularly on Friday. The market was, in addition, helped by the relatively low level this week of maturities of commercial bills in official hands.

Market assistance by the Bank was necessary only on Monday, and then to a very small extent. On Wednesday and on Friday large amounts of Treasury Bills were sold to absorb surplus funds.

Movements in inter-bank rates over the week resulted in a dramatic steepening of the yield curve. Rates at the longer end rose sharply, reflecting the belief that sterling's sudden fall might force a rise in MLR, and the weight of money seeking to come shorter depressed short-term rates even more than would have resulted from the market surpluses alone. Only at the very end of the week, when pessimism on inflation prospects was lightened by better than expected money supply figures and sterling began to steady, was some slight softening in longer rates evident. The three-month rate finished  $3\frac{3}{4}\%$  up at  $13\frac{3}{16}\%$ .

Movements in euro-sterling rates, while following the pattern of those in the domestic market, were even more marked. The one-month rate changed little over the week but longer rates were extremely firm and the three-month rate ended the week  $15\frac{1}{16}\%$  higher at  $13\frac{7}{16}\%$ .

At the Treasury Bill tender on Friday the average rate of discount rose by 0.9924 to 12.4376.



## LOCAL AUTHORITY BORROWING

The rate for one-year bonds rose by 3/4% to 13 3/4%. Issues amounted to £8mn (£11.15 last week) against maturities of £11.75mn.

## GILTS

The inflationary and interest rate implications of the pressure on sterling last Thursday and Friday brought heavy selling and prices fell sharply. This week somewhat firmer conditions saw a limited recovery.

Last Wednesday, in nervous trading brought about by the weakness of sterling, prices fluctuated over the day and in general closed about 1/4 down. On Thursday the inflationary and interest rate implications of the sharp fall in sterling induced heavy selling by domestic as well as overseas investors and prices fell by up to 2 1/8 points. The very weak conditions continued on Friday and longer dated stocks (with the exception of the index-linked stock) saw falls of up to 1 1/8, with shorts about 7/8 lower.

After the weekend the easing of the pressure on sterling brought a small rally in longer maturities although shorts remained dull. Yesterday the firmer tone was evident over all maturities before and after the publication of the banking figures and prices of shorts rose by up to 7/16 and longs by 3/4.

On both Friday and Monday, amid renewed concern on the outlook for inflation, significant trading took place for the first time in the index-linked stock and the price rose by 1 1/2 points over the two days.

Over the week as a whole prices of shorts fell by around 1 3/4 and those of mediums and longs by up to 2 1/8. The price of the index-linked stock rose by 1/2.

## EQUITIES

After a very quiet day last Wednesday, the fall in sterling on Thursday encouraged buyers of shares in leading exporting and dollar-earning companies and as a result the Index rose 8.9 points on the day. On Friday, however, interest rate worries depressed the market and the Index fell back by 9.3 points.



On Monday, in quiet conditions, the market held fairly steady and a firmer tone emerged late in the day. Although the market opened firm yesterday, the news of large increases in the pump prices of BP petrol depressed the oil sector and the easier conditions spread to other sectors. There were also rumours that BP might be bringing a large rights issue to the market. The Index fell 2.3 points on the day to 545.6, a fall of 1.4 points over the week as a whole.

## NEW ISSUES

## Queue

Six new issues of £10mn or more were added to the queue. These include three fixed interest issues previously on the waiting list which have now been allotted dates in July: Rolls Royce (£175mn) and in the bulldog market, Credit Foncier (£50mn) and Denmark (£50mn). The queue now totals £1,913mn against £1,709mn last week.

(Init EAJG)

10 June 1981

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases -)

1. Transactions (cash value)

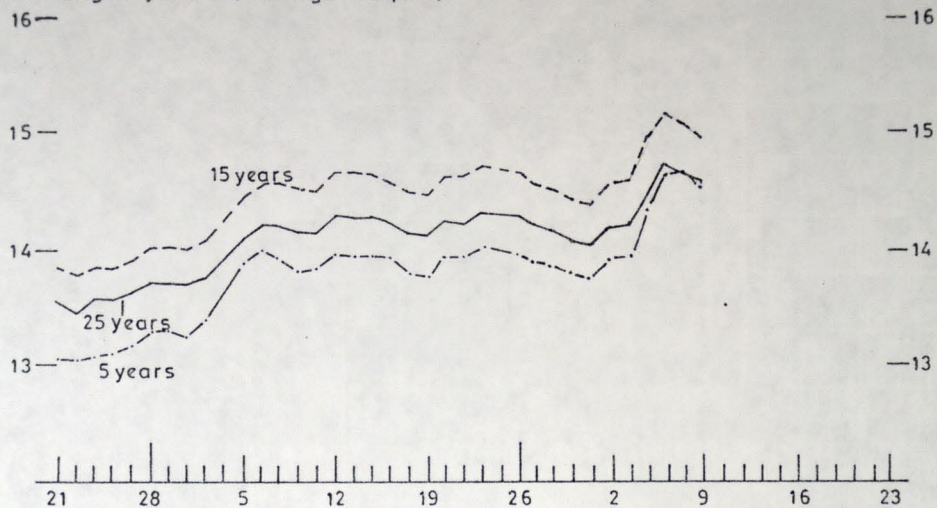
	3.6.81 <u>- 9.6.81</u>	<u>Cal.Qtr. and Fin.Year to date</u>	18.2.81 <u>to date</u>
Issue Department			
Purchases/sales			
Next Maturities	- 156	- 897	- 1,315
Other short-dated	<u>- 45</u>	<u>+ 208</u>	<u>+ 696</u>
	- 201	- 689	- 619
Mediums	- 5	+ 1,341	+ 2,054
Longs and undated	<u>- 29</u>	<u>+ 687</u>	<u>+ 1,724</u>
Total Issue			
Department trans- actions	- 235	+ 1,339	+ 3,159
CRND	- 1	+ 183	+ 235
Redemptions	-	- 206	- 301
	<u>- 236</u>	<u>+ 1,316</u>	<u>+ 3,093</u>

2. Redemption Yields (tax ignored)

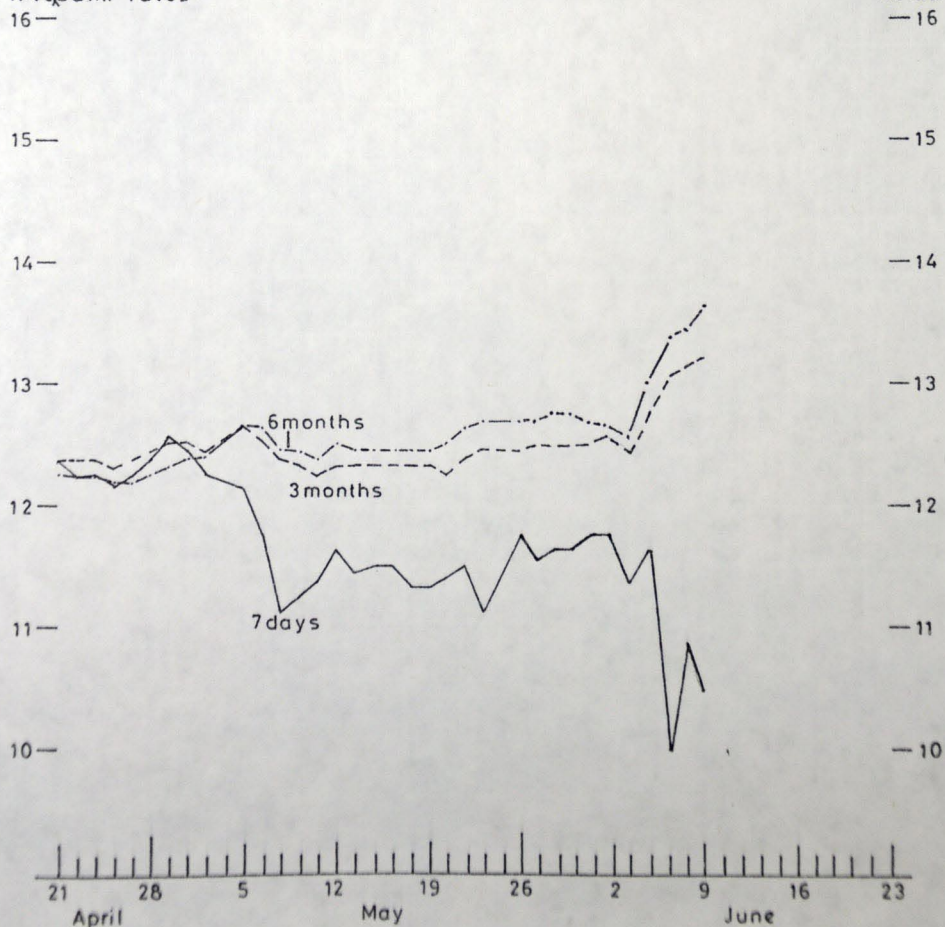
	<u>2 June</u>	<u>9 June</u>	<u>Change</u>
12 3/4% Exchequer 1981	11.82	13.13	+1.31
13 1/2% Exchequer 1983	13.34	14.21	+0.87
12% Treasury 1984	13.41	14.17	+0.76
13 1/4% Exchequer 1987	13.61	14.21	+0.60
13% Treasury 1990	14.26	14.75	+0.49
2% Index-Linked	2.36	2.34	-0.02
Treasury 1996			
12 1/4% Exchequer 1999	14.33	14.73	+0.40
11 1/2% Treasury 2001/04	13.92	14.40	+0.48
12% Exchequer 2013/17	13.51	13.88	+0.37
3 1/2% War (Flat Yield)	11.93	12.21	+0.28



Gilt edged yields (F.T. High coupon)



Interbank rates



## NEW ISSUES

Fixed interest  
(excl convertibles)

	<u>Domestic borrowers</u>	<u>Foreign borrowers</u>	<u>Convertibles</u>	<u>Equities</u>
TOTAL QUEUE*	<u>215</u>	<u>150</u>	<u>93</u>	<u>1455</u>
Of which issues of 10 or more:				
Current week (10/6-12/6)				Sapphire Petroleum PLC (offer for sale) (12/6) 15
Week 2 (15/6-19/6)			Property Holdings & Investment Trust Ltd (rights) (16/6) 15	British Petroleum Co Ltd (rights) (18/6) 700
Week 3 (22/6-26/6)			Chloride Group Ltd (rights) (24/6) 15	
Week 4 (29/6-3/7)		Inco Ltd (placing) (30/6) 50		
Week 5 (6/7-10/7)	The South Staffordshire Waterworks Co (offer for sale by tender) (8/7) 10	<u>Credit Foncier</u> (6/7) 50	The Seiyu Stores Ltd ø (8/7) 20	Mercantile House Holdings Ltd (rights) (6/7) 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
Week 6 (13/7-17/7)		<u>Denmark</u> (13/7) 50		Inchcape & Co Ltd (rights) (15/7) 75 F & C Enterprise Trust PLC (offer for sale) (17/7) 10



Week 7  
1-24/7)

Rolls Royce  
(offer for sale)  
(24/7) 175

forthcoming

Central Finance  
Co Ltd &  
(20/7) 10

Venture Capital Fund  
(private placing)  
(20/7) 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

Carrington  
Viyella  
(13/8) 15  
London Trust  
Company Ltd  
(rights)  
(8/9) 15

United Scientific  
Holdings Ltd  
(rights)  
(30/7) 25  
An investment trust  
(offer for sale)  
(4/8) 10  
Ladbroke Group Ltd  
(rights)  
(6/8) 20  
Hadson Petroleum  
(International) PLC  
(offer for sale)  
(11/8) 10  
William Press (rights)  
(12/8) 10  
Burnett & Hallamshire  
Holdings Ltd  
(rights)  
(18/8) 20  
HAT Group Ltd  
(rights)  
(19/8) 10  
London and Scottish  
Marine Oil Company  
Ltd (rights)  
(26/8) 75  
John Brown & Co Ltd  
(rights)  
(4/9) 25

BICC Ltd (rights)  
(9/9) 65

J P M Machines Ltd  
(offer for sale)  
(19/9) 10

Legal and General  
(rights)  
(15/9) 65

Split Capital  
Investment Trust  
(offer for sale)  
(16/9) 20

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

Guinness Peat Group Ltd  
(rights)  
(29/9) 15

Forthcoming  
continued

Second Save & Prosper  
Linked Investment  
Trust PLC  
(offer for sale)  
(7/10) 30  
Kwik Save Discount  
Group Ltd  
(rights)  
(12/11) 15  
Astley & Pierce Ltd  
(offer for sale)  
(3/12) 10

/Issues announced:	1978	60	959
	1979	162	946
	1980	290	1,066
	1981 to date	158	526
/Issues completed	1978	63	910
	1979	150	979
	1980	284	945
	1981 to date	83	551

\*Includes issues of 3 or more

/Includes issues of less than 3

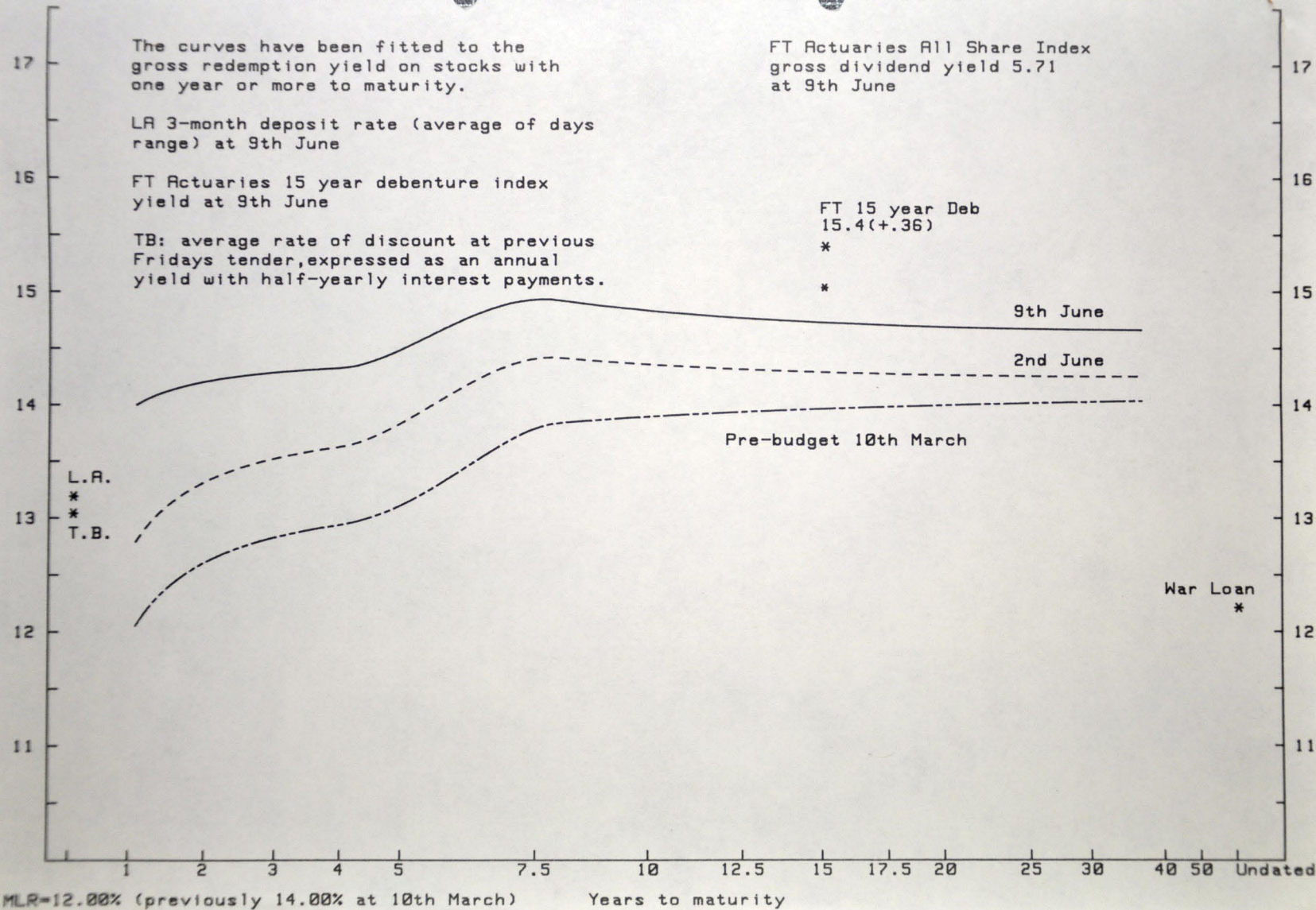
øForeign borrower

10 June 1981



Per cent Time / Yield Curves of British Government Stocks

10th June 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 5.71 at 9th June

LR 3-month deposit rate (average of days range) at 9th June

FT Actuaries 15 year debenture index yield at 9th June

FT 15 year Deb 15.4(+.36)

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

\*

\*

9th June

2nd June

Pre-budget 10th March

L.R.  
\*  
\*  
T.B.

War Loan  
\*

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

Years to maturity