NOTE FOR WEDNESDAY MEETING

MARKETS: 10 JUNE TO 16 JUNE 1981

MONEY

After an easy opening to the week a degree of market pressure developed on Thursday, gilt sales and the maturity in official hands of commercial and Local Authority bills being the chief factors involved. Friday saw the final call on 11 1/2% Treasury 1985 partially offset by a redemption; the net Exchequer position was also substantially in the market's favour but the additional effect of a rise in the note circulation resulted in some minor shortage of funds. Monday was again easy, net Exchequer inflows being counterbalanced by the maturity of Treasury Bills sold to the market on 5 June. A renewal of pressure at the end of the week was once again due to official gilt sales and to further maturities of bills in the Bank's hands.

The Bank sold a large amount of Treasury Bills to absorb surplus funds on Wednesday. There was no intervention on Monday; on the remaining three days assistance to the market was necessary, that on Thursday taking the form of a moderate purchase of bills on a repurchase basis.

Short inter-bank rates were very easy on Wednesday and Monday but on both occasions reacted strongly as soon as conditions tightened. Longer rates also eased sharply at the beginning of the week, reflecting the steadier performance of sterling and the resultant calming of expectations of an imminent MLR increase. Monday saw some renewed easiness but otherwise longer rates moved little. The three-month rate finished unchanged at 12 5/8%, having fallen by 9/16% between Tuesday, 9 June and Wednesday.

Short euro-dollar rates showed some firmness around the weekend but the general tendency at all maturities was otherwise easy. The three-month rate finished 3/16% lower at 12 9/16% having, like the domestic rate, shown a fall of 9/16% between 9 and 10 June.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.3644 to 12.0132.

LOCAL AUTHORITY BORROWING

The rate for one-year negotiable bonds fell by 3/8% to 13 3/8%. Issues amounted to £17mn (£11.75mn last week) against maturities of £15.5mn.

GILTS

The market substantially recovered during the week, helped by the recovery in sterling; but it remained under the strong influence of developments in the US.

Last Wednesday, the rise in sterling, together with favourable press comment on the banking figures and some easing of domestic short-term interest rates and lower US prime rates, helped to consolidate the firm trend that had developed over the previous two days and rises of up to 1/2-3/4 were seen in all maturities.

On Thursday, however, the rally was halted by renewed firmness of the dollar although on Friday the resurgence of sterling brought back some buyers to the market and prices rose again.

The sharp rise in sterling after the weekend, allied with the favourable US money figures and declining US prime rates, resulted in very brisk trading and prices of shorts rose by up to 1 1/2 and longs by up to 1 5/8.

Yesterday the market was quieter and a little profit taking depressed prices, which closed at the lowest levels with shorts 3/8 down and longs 5/8 down. Over the week as a whole prices of shorts rose by up to 1 1/4 and prices of mediums and longs rose by up to 1 1/2.

EQUITIES

The final three days of the account that ended last Friday were over-shadowed by the persistent but unrealised rumour that BP was about to make a large cash call. The Index fell each day although on Friday the reduction was minimal as a firmer tone developed in after-hours dealing for the new account.

On Monday, although the funding fears remained, the performance of sterling and the activity in gilts brought a steady improvement in the equity market and leading shares closed at the best levels with the Index 12 points higher at 547.8.

Yesterday, in quieter conditions, the firm tone remained and small gains were achieved.

Over the week as a whole the FT Index rose 5.8 points to 551.4.

NEW ISSUES

Queue

Three new issues of £10mn or more were added to the queue this week which now totals £1,669mn against last week £1,913mn. The decline mainly reflects the cancellation of fixed interest issues by Rolls Royce (£175mn) and Credit Foncier (£50mn).

(Init EAJG)

17 June 1981

Official Stock Transactions and Gilt-Edged Yields

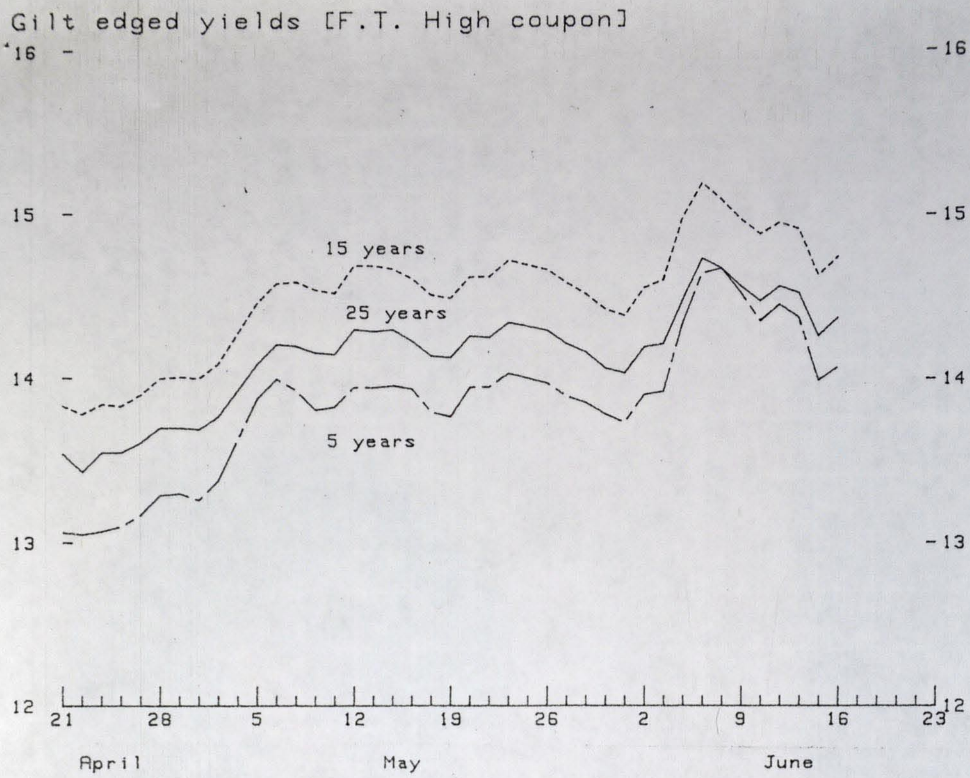
(£ million: sales +, purchases -)

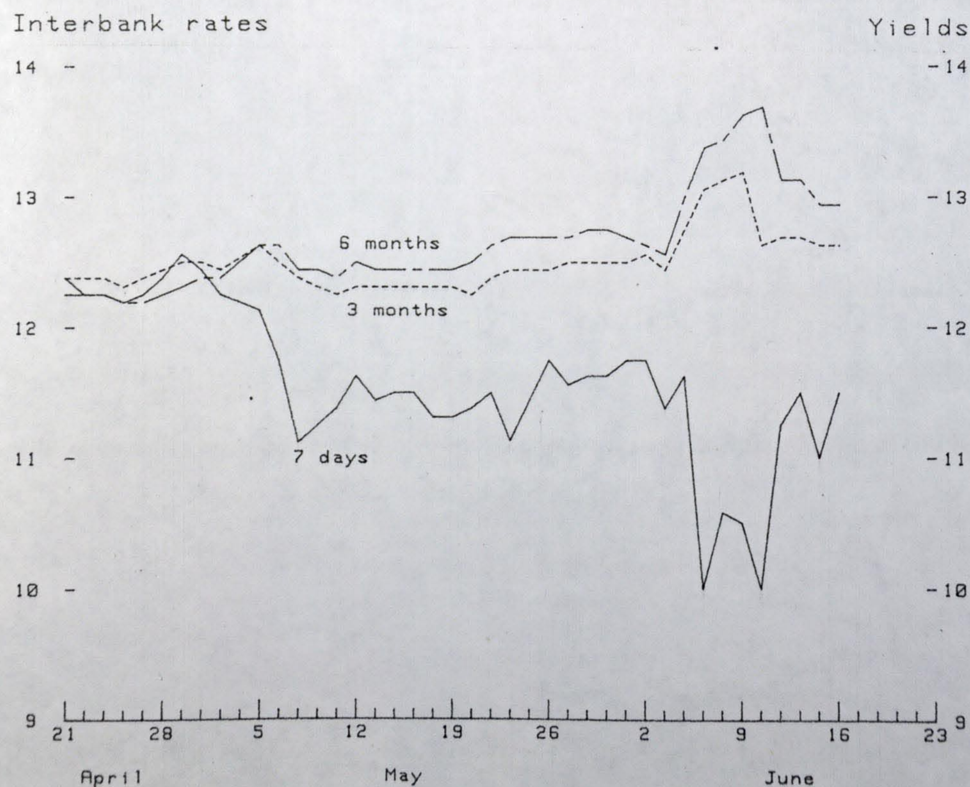
1. Transactions (cash value)

	10.6.81 -16.6.81	Cal.Qtr. and Fin.Year to date	18.2.81 to date
Issue Department Purchases/sales			
Next Maturities	- 6	- 903	- 1,321
Other short-dated	+ 278	+ 486	+ 974
	+ 272	- 417	- 347
Mediums	+ 154	+ 1,495	+ 2,208
Longs and undated	+ 38	+ 725	+ 1,762
Total Issue Department transactions	+ 464	+ 1,803	+ 3,623
CRND	-	+ 183	+ 235
Redemptions	- 110	- 316	- 411
	+ 354	+ 1,670	+ 3,447

2. Redemption Yields (tax ignored)

	9 June	16 June	Change
12 3/4% Exchequer 1981	13.13	12.36	-0.77
13 1/2% Exchequer 1983	14.21	13.65	-0.56
12% Treasury 1984	14.17	13.67	-0.50
13 1/4% Exchequer 1987	14.21	13.77	-0.44
13% Treasury 1990	14.75	14.50	-0.25
2% Index-Linked Treasury 1996	2.34	2.25	-0.09
12 1/4% Exchequer 1999	14.73	14.55	-0.18
11 1/2% Treasury 2001/04	14.40	14.20	-0.20
12% Exchequer 2013/17	13.88	13.69	-0.19
3 1/2% War (Flat Yield)	12.21	12.08	-0.13


Gilt edged yields [F.T. High coupon]
15 years
25 years
5 years
16
15
14
13
12
21
28
5
12
19
26
2
9
16
23
April
May
June


Interbank rates
Yields
6 months
3 months
7 days
14
13
12
11
10
9
21
28
5
12
19
26
2
9
16
23
April
May
June

SECRET

£ millions

NEW ISSUES

	Fixed interest (excl convertibles)			
	Domestic borrowers	Foreign borrowers	Convertibles	Equities
TOTAL QUEUE*	40	100	78	1451
Of which issues of 10 or more:				
Current week (17/6-19/6)				British Petroleum Co Ltd (rights) (18/6) 700
Week 2 (22/6-26/6)			Chloride Group Ltd (rights) (24/6) 15	
Week 3 (2[illegible]-3/7)		Inco Ltd (placing) (30/6) 50		
Week 4 (6/7-10/7)	The South Staffordshire Waterworks Co (offer for sale by tender) (8/7) 10		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 5 (13/7-17/7)		Denmark (13/7) 50		Inchcape & Co Ltd (rights) (15/7) 75 F & C Enterprise Trust PLC (offer for sale) (17/7) 10
Week 6 (20/7-24/7)			Central Finance Co Ltd ø (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

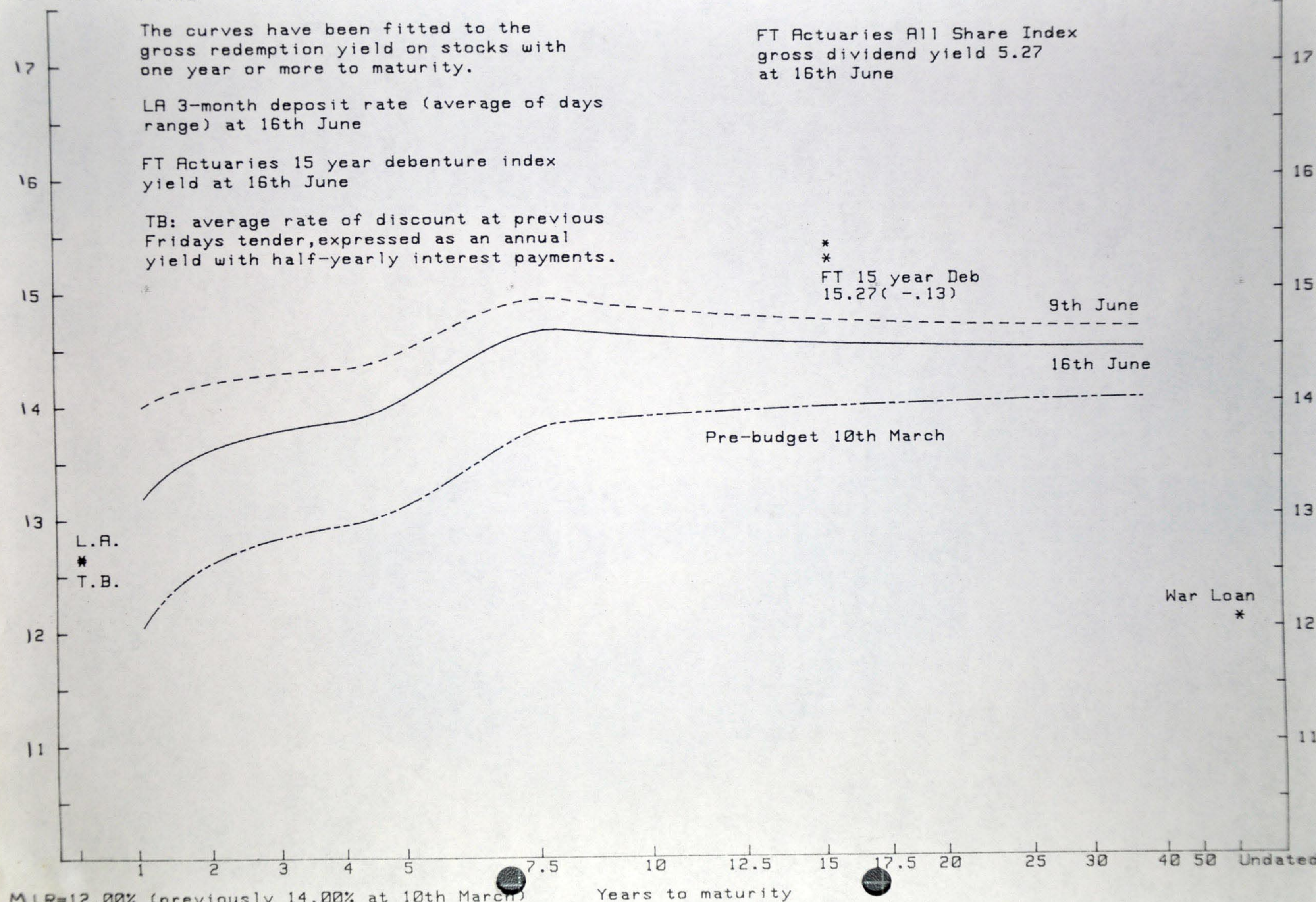
Week 7 (27/7-31/7)				Japanese Assets Trus PLC (offer for sale) (28/7) 10 United Scientific Holdings Ltd (rights) (30/7) 25
Forthcoming			Carrington Viyella (13/8) 15 London Trust Company Ltd (rights) (8/9) 15	An investment trust (offer for sale) (4/8) 10 Ladbroke Group Ltd (rights) (6/8) 20 Hadson Petroleum (International) PLC (offer for sale) (11/8) 10 The Laird Group (rights) (14/8) 14 Burnett & Hallamshire Holdings Ltd (rights) (18/8) 20 HAT Group Ltd (rights) (19/8) 10 The Morgan Crucible Co Ltd (rights) (20/8) 10 London and Scottish Marine Oil Company Ltd (rights) 26/8) 75 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 Guiness Peat Group L (rights) (29/9) 15 Second Save & Prospe Linked Investment Trust PLC (offer for sale) (7/10) 30 Exco Securities (1979) Ltd (offer for sale) 12 Kwik Save Discount Group Ltd (rights) (12/11) 15

≁Issues announced:	1978	60	959
	1979	162	946
	1980	290	1,066
	1981 to date	166	526
≁Issues completed	1978	63	910
	1979	150	979
	1980	284	945
	1981 to date	89	564

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

17 June 1981

Per cent Time / Yield Curves of British Government Stocks 17th June 1981



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