

NOTE FOR WEDNESDAY MEETING

MARKETS: 24 JUNE 1981 TO 30 JUNE 1981

MONEY

The week opened with a substantial surplus on Wednesday, due to a large Exchequer swing in the market's favour. This was reflected in an excess on bankers' balances which helped to ease the supply of funds the following day, and these comfortable conditions, helped by further net Exchequer deficits and the Bank's purchases of gilts near maturity, persisted until Monday. The final day of the week was tighter, the favourable Exchequer position being counterbalanced chiefly by gilt sales and the monthly oil revenue payment to a Bank customer.

The Bank sold Treasury Bills to the market to absorb surplus funds on Wednesday. A small amount of market assistance was necessary on Monday and a moderate amount the following day.

After a general easiness on the first two days of the week short inter-bank rates tightened on Friday; they rose more sharply after the weekend, apparently in part due to localised shortages which led to keen bidding for funds by a few institutions.

Longer rates showed some firmness on Thursday and Friday, tending to steady after the weekend. The three month rate finished 1/4% higher at 12 11/16%.

Eurosterling rates showed some easiness up to the weekend but thereafter were generally firmer in line with domestic rates. The three month rate ended the week unchanged at 12 5/8%.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.087% to 11.8780.

LOCAL AUTHORITY BORROWING

The rate for one year bonds was again unchanged at 13 3/8%. Issues amounted to £12.5 mn (£13.9 mn last week) against maturities of £17.25 mn.



## GILTS

Extremely quiet and generally featureless conditions have been maintained during the week.

After a dull start last Wednesday the tone became easier on Thursday as prices declined in the wake of the sterling exchange rate. The quiet conditions continued on Friday and on balance the market eased slightly on the trend in US bond rates.

On Monday, hopes of a downturn in international interest rates introduced a slightly firmer tone and a few buyers appeared in a rather thin market; prices were generally about 1/2 better on the day. Yesterday, after an easier start some demand developed for medium dated issues, but the late fall in sterling left prices of mediums and longs a little lower.

Over the week as a whole prices of shorts and mediums were little changed and longs were about 3/8 lower.

## EQUITIES

Although much of the equity market ended the account on a rather subdued note, shares in the electronics and electricals sector saw some demand following encouraging trading announcements and relief about the impact of the Government's defence cuts.

After the weekend the market opened firm on hopes of some easing in international interest rates and, partly in consequence, property shares were sharply higher. Arbuthnot Latham also moved ahead on merger suggestions. Yesterday Clearing Bank and Insurance shares made widespread gains on revived take over rumours and Arbuthnot Latham and other merchant banks remained in demand.

Over the week as a whole the FT Index rose by 0.3 points to 544.8.



## NEW ISSUES

## Queue

After a lull last week, five new issues were added to the queue: these include a rights issue of £100 mn by Trusthouse Forte and bulldog issues of £50 mn each by the IBRD and Credit Foncier. Also in the domestic fixed interest market City of Birmingham is proposing a five-year droplock issue of £75 mn. The queue now totals £1098 mn against £963 mn.

## Capital Issues

The net amount of new money raised in banking June was £247 mn compared with £83 mn in banking May. The total for the first six months of the year was £688 mn (£860 mn gross) compared with £163 mn (£204 mn gross) in the same period of 1980.

(Init EAJG)

1 July 1981



Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases - )

1. Transactions (cash value)

	24.6.81 <u>-30.6.81</u>	Cal.Qtr. and <u>Fin.Year to date</u>	18.2.81 <u>to date</u>
Issue Department			
Purchases/sales			
Next Maturities	- 199	- 1136	- 1,554
Other short-dated	<u>+ 39</u>	<u>+ 557</u>	<u>+ 1,044</u>
	- 160	- 579	- 510
Mediums	+ 31	+ 1,578	+ 2,291
Longs and undated	<u>-</u>	<u>+ 733</u>	<u>+ 1,771</u>
Total Issue			
Department trans- actions	- 129	+ 1,732	+ 3,552
CRND	-	+ 184	+ 236
Redemptions	-	- 321	- 417
	<u>- 129</u>	<u>+ 1,595</u>	<u>+ 3,371</u>

2. Redemption Yields (tax ignored)

	<u>23 June</u>	<u>30 June</u>	<u>Change</u>
12 3/4% Exchequer 1981	12.40	12.03	-0.37
13 1/2% Exchequer 1983	13.46	13.45	-0.01
12% Treasury 1984	13.63	13.59	-0.04
13 1/4% Exchequer 1987	13.83	13.93	+0.10
13% Treasury 1990	14.53	14.58	+0.05
2% Index-Linked Treasury 1996	2.28	2.32	+0.04
12 1/4% Exchequer 1999	14.59	14.66	+0.07
11 1/2% Treasury 2001/04	14.24	14.34	+0.10
12% Exchequer 2013/17	13.77	13.86	+0.09
3 1/2% War (Flat Yield)	12.11	12.19	+0.08



Gilt edged yields [F.T. High coupon]

16 -

- 16

15 - 15 years

- 15

25 years

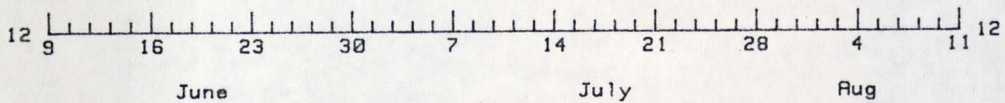
14 -

- 14

5 years

13 -

- 13



Interbank rates

Yields

14 -

- 14

13 - 6 months

- 13

3 months

12 -

- 12

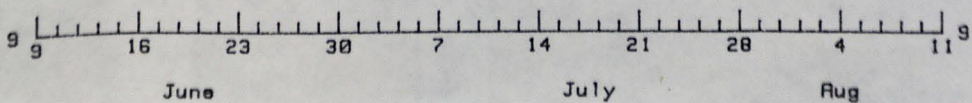
7 days

11 -

- 11

10 -

- 10





## NEW ISSUES

	Fixed interest (excl convertibles)			Equities
	Domestic borrowers	Foreign borrowers	Convertibles	
TOTAL QUEUE*	<u>102</u>	<u>150</u>	<u>63</u>	<u>783</u>
Of which issues of 10 or more:				
Current week (1/7-3/7)				
Week 2 (6/7-10/7)			The Seiyu Stores Ltd ø (8/7) 20	Mercantile House Holdings Ltd (rights) (6/7) 10 Hamilton Pros Oil Company (Great Britain) Ltd (offer for sale) (7/7) 20 Gold & Precious Metal Investment Trust (offer for sale) (9/7) 20
Week 3 (13/7-17/7)		Denmark (13/7) 50		F & C Enterprise Trust PLC (offer for sale) (17/7) 10
Week 4 (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 5  
(27/7-31/7)

IBRD  
(27/7) 50

Japanese Assets  
Trust PLC  
(offer for sale)  
(28/7) 10  
United Scientific  
Holdings Ltd  
(rights)  
(30/7) 25

Week 6  
(3/8-7/8)

An investment trust  
(offer for sale)  
(4/8) 10  
Ladbroke Group Ltd  
(rights)  
(6/8) 20

Week 7  
(10/8-14/8)

Carrington  
Viyella  
(13/8) 15

Hadson Petroleum  
(International) PLC  
(offer for sale)  
(11/8) 10  
The Laird Group  
(rights)  
(14/8) 14

Forthcoming

City of Birmingham  
(17/8) 75

Credit Foncier  
(24/8) 50

London Trust  
Company Ltd  
(rights)  
(8/9) 15

Burnett & Hallamshi  
Holdings Ltd (right)  
(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  
Trusthouse Forte  
Ltd (rights)  
(1/9) 100

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  
Second Throgmorton  
Investment Co  
PLC (offer for sale  
(28/9) 13



	Guinness Peat Group Ltd (rights) (29/9)	15
	Second Save & Prosper 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	200	1,152
/Issues completed	1978	63	910
	1979	150	979
	1980	284	945
	1981 to date	180	684

\*Includes issues of 3 or more

/Includes issues of less than 3

øForeign borrower

1 July 1981



# Per cent Time / Yield Curves of British Government Stocks

1st July 1961

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

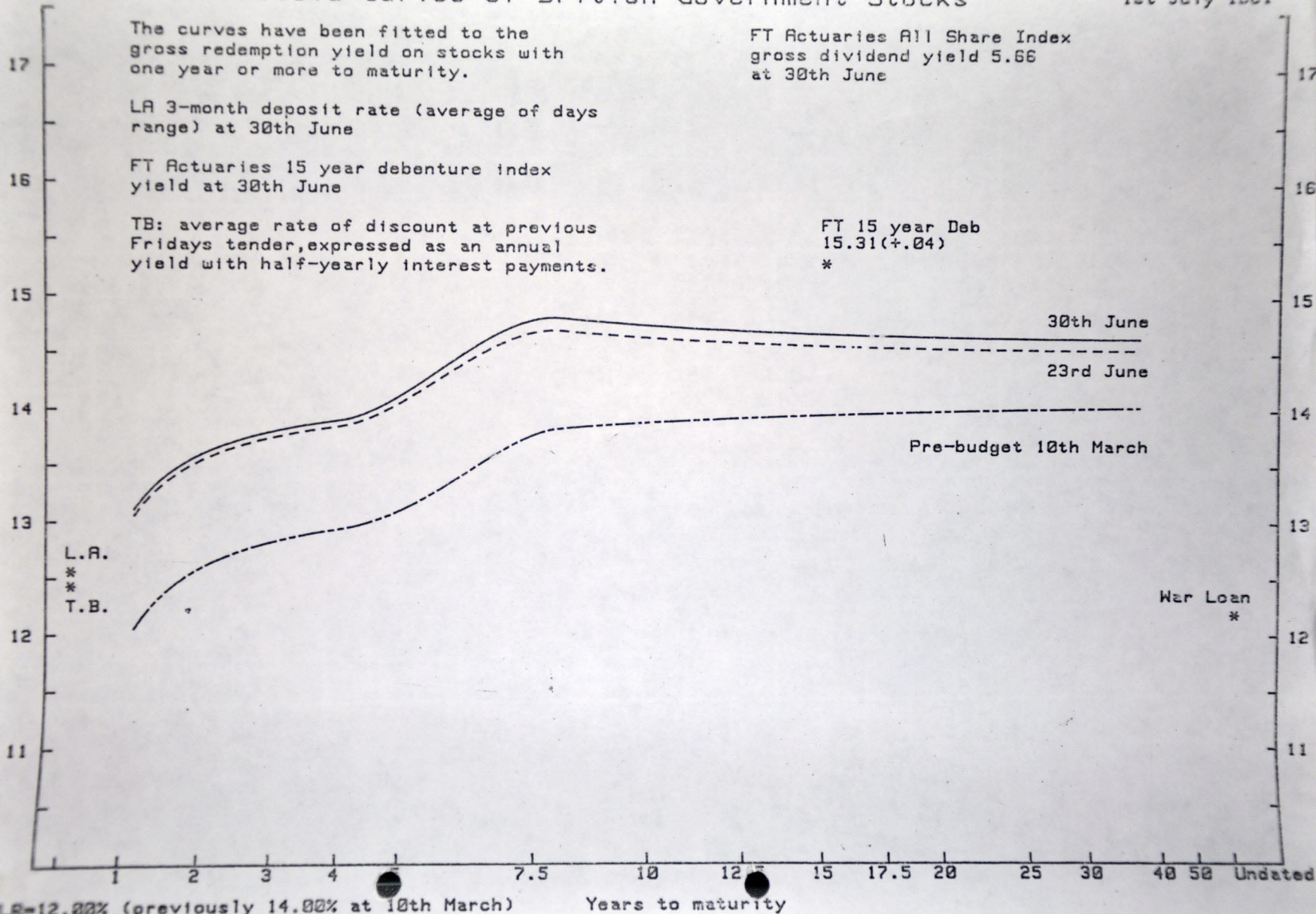
FT Actuaries All Share Index gross dividend yield 5.66 at 30th June

LA 3-month deposit rate (average of days range) at 30th June

FT Actuaries 15 year debenture index yield at 30th June

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

FT 15 year Deb 15.31(+.04)  
\*



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

Years to maturity