

Tuesday, 7th July, 1981.

The Gilt Edged market opened slightly better this morning reflecting a small improvement after hours yesterday. However there was very little evident demand for stock, and prices soon began to ease away again throughout the list. By lunchtime shorts were generally about $\frac{1}{8}$ down while longs were showing losses of $\frac{3}{8} - \frac{1}{2}$. Following the banking figures and provisional estimate of only $\frac{1}{4}\%$ rise in the money supply, the market improved sharply and at one time long dated stocks were showing rises of up to $\frac{1}{2}$ on the day. There was no follow-through however and with U.S. bonds opening easier, prices quickly went into reverse once again, so that the whole market closed at a level slightly above 3.30 yesterday.

The Industrial market opened lower as dealers became increasingly worried about the possibility of rising interest rates. Sentiment was also influenced by the continued weakness of Wall Street. Most sectors remained depressed during the day although some selective buying interest appeared in response to the well received money supply figures. Leading 'blue-chip' companies reacted to a gloomy forecast by the I.C.I. chairman. Among otherwise flat Oil shares, I.C. Gas were sharply higher following annual profits that exceeded market estimates. Banks and Insurance issues were dull. However, Mercantile House recovered on further consideration of yesterday's results and rights issue. Mercury Securities were flat after adverse press comment on the annual figures announced last night. Building and Property stocks declined on the fears of dearer money rates. Breweries, Foods and Stores were generally weak throughout, with Thorn-EMI easier ahead of Friday's final results. Kaffirs were slightly better in line with the gold price.

Financial Times Index (3.00 p.m.) 529.3 (down 11.5)

<u>C.N.D.</u>	Sales	£	454,000
	Purchases		NIL
	Nett Sales on balance	£	454,000
<u>BANK</u>	Sales		NIL
	Purchases	£	12,759,000
	Nett Purchases on balance	£	12,759,000