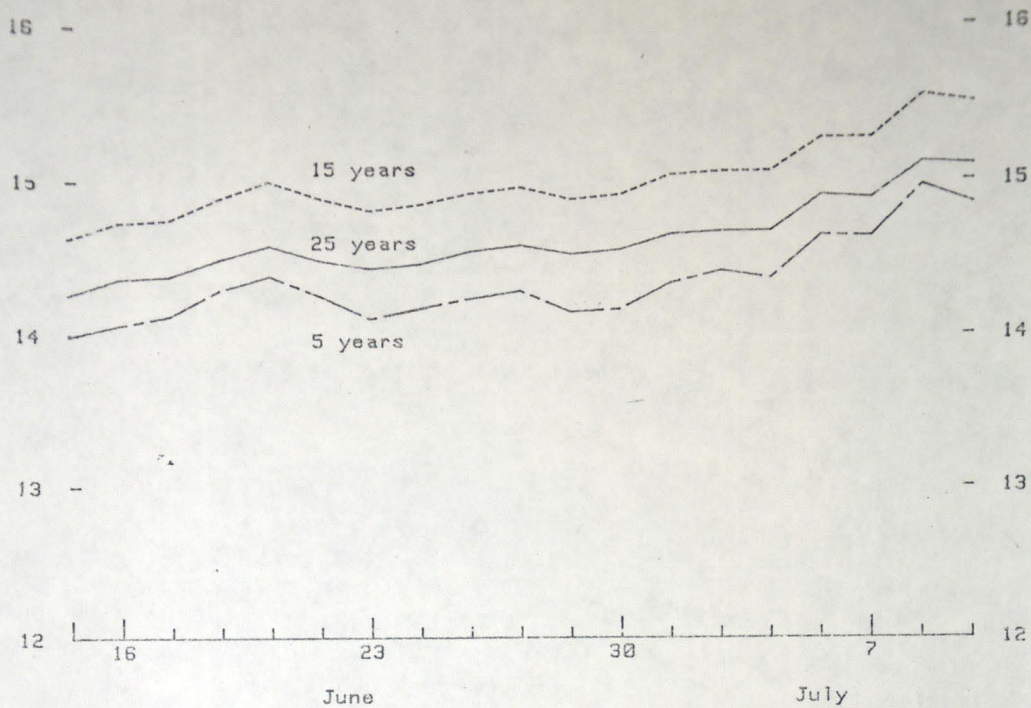
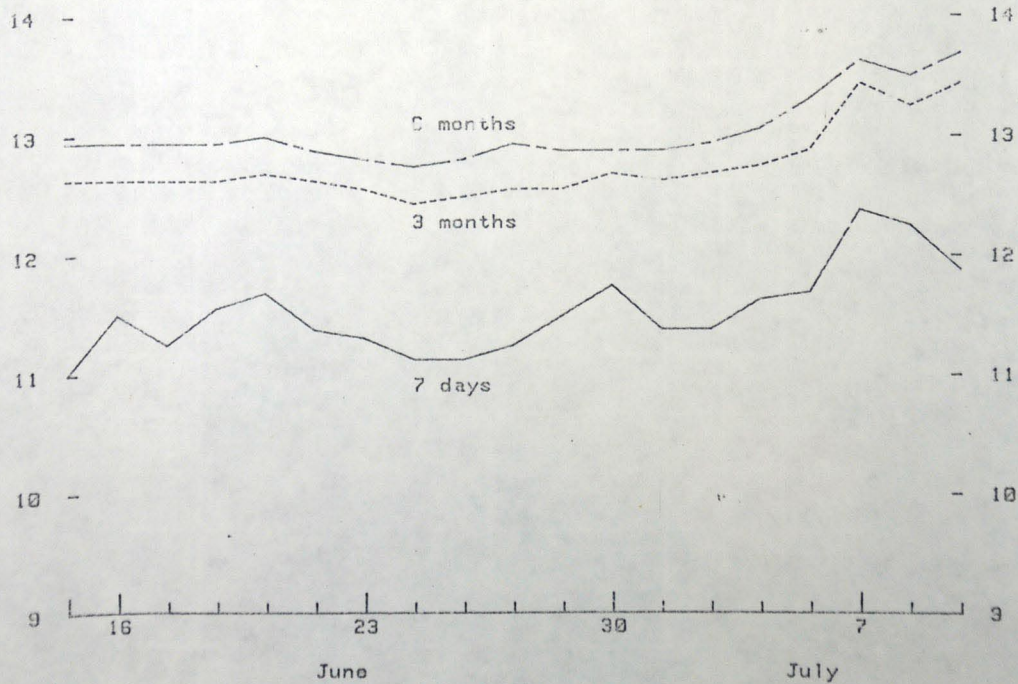


Gilt edged yields [F.T. High coupon]



Interbank rates

Yields



MARKETS

WEEK ENDED 7 JULY 1981

MONEY

The week opened with a small surplus on Wednesday due to a moderate excess of Exchequer disbursements over revenue receipts. The tightening effects of much reduced Exchequer deficits on Thursday and Friday and commercial bill maturities against the market were softened by the Bank's purchases of gilts near maturity on both days and by moderate maturities of Treasury Bills on Friday to leave the market in a flat position by the weekend. On Monday further commercial bill maturities brought tighter conditions and an unfavourable Exchequer position on Tuesday caused a moderate shortage of funds on the final day of the week.

The Bank sold Treasury Bills to the market on Wednesday, Thursday and Friday. On Monday the market's bids for money on a short-dated repo were twice rejected and a moderate sum was lent for seven days to two discount houses at a rate above Minimum Lending Rate. To relieve the expected shortage of funds on Tuesday the Bank purchased commercial bills for resale at a future date.

After easing slightly on Wednesday short-term interbank rates tended firmer during the week and rose sharply on Tuesday amid rumours of an impending increase in MLR. The one-month rate finished 13/16% higher at 12 11/16%.

Longer rates were steady at the start of the week but rose progressively over the subsequent day in response to a flurry of speculation about MLR. The three month rate increased by 13/16% over the week to finish at 13 7/16%.

Eurosterling rates began the week on a firmer note and, after easing somewhat over the weekend, hardened appreciably on Tuesday reflecting the rise in domestic rates. The three month rate finished 15/16% higher at 13 1/2%.

At the Treasury bill tender on Friday the average rate of discount rose by 0.1059 to 11.9839.

LOCAL AUTHORITY BONDS

The rate for one-year bonds rose by 1/2% to 13 7/8%. Issues amounted to £13 1/2 mn (£17 1/4 mn last week) against maturities of £14 3/4 mn.

GILTS

The market continued to be unsettled by the weakness of sterling and fears of higher interest rates, but took some heart from yesterday's money figures.

The continuing weakness of sterling together with an easier US bond market brought losses of up to 3/8 in shorts and 3/4 in longs on Wednesday. The indexed gilt fell in line with the rest of the long market following an FT report of an early second issue. Prices continued to ease modestly on Thursday morning, but steadied during the afternoon. Some improvement was seen in quiet trading on Friday before prices of long-dated issue were marked down by about 1/2 following the announcement at the official close of the second index-linked stock 2% Index-Linked Treasury Stock 2006. The price of the initial 1996 stock fell by about 1 1/2 points to a middle price of 96 after the announcement.

After the weekend, the market dropped further away from the lower levels reached on Friday evening amid fears that interest rates would have to rise to support sterling. The downward trend was given further impetus by news of the Bank's lending to some of the discount houses at above MLR. Shorts closed up to 7/8 lower with losses of up to 1 1/4 in longs; the FT Government Securities Index dropped to a 16-month low. Trading was volatile yesterday but aided by a recovery after the announcement of only a modest rise in £M3 for banking June the market ended the day slightly above Monday's close.

Over the week as a whole prices of shorts fell by about 1 point and longs by about 2 points.

EQUITIES

The market was steady on Wednesday though trading was subdued. Prices tended to drift lower the following day on lack of interest, although GEC attracted further support after excellent annual results and bid speculation (centred on Commercial Union) pulled up the insurance sector. The FT Index moved up slightly on Friday amid selective investment demand, particularly for GEC and for Glaxo which benefited from upgraded profits estimates.

After the weekend the market was affected by the weakness of gilts on Monday and by renewed fears of higher interest rates; the index lost 7.2 on the day. Sentiment remained depressed yesterday with a gloomy forecast by the ICI Chairman an additional adverse influence. Although edging up from the bottom after the announcement of the banking figures, the index closed a net 11.3 lower at 529.5, a fall of 15.5 over the week as a whole and a 3-month low.

In a generally weak oil sector, BP's nil-paid rights dropped to 19p premium at yesterday's close, with the HMG rights at 4p premium.

NEW ISSUES

Queue

Three new domestic equity issues at £10 mn or more were added to the queue, together with a convertible issue of £15 mn by a Japanese company. The queue now totals £986 mn against £1098 mn last week.

(Init EAJG)

8 July 1981

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases -)

1. Transactions (cash value)

	1.7.81	Cal Qtr to date	Fin Year to date	18.2.81 to date
	- 7.7.81			
Issue Department				
Purchases/sales				
Next Maturities	- 67	- 67	- 1203	- 1,621
Other short-dated	- 37	- 37	+ 519	+ 1,007
	- 104	- 104	- 684	- 614
Mediums	-	-	+ 1,578	+ 2,291
Longs and undated	- 20	- 20	+ 713	+ 1,751
Total Issue				
Department trans-				
actions	- 124	- 124	+ 1,607	+ 3,428
CRND	+ 5	+ 5	+ 190	+ 241
Redemptions	-	-	- 321	- 417
	- 119	- 119	+ 1,476	+ 3,252

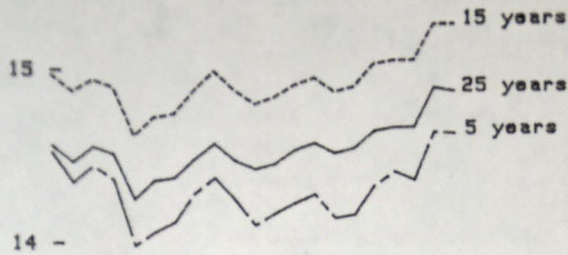
2. Redemption Yields (tax ignored)

	30 June	7 July	Change
12 3/4% Exchequer 1981	12.03	12.75	+0.72
13 1/2% Exchequer 1983	13.45	13.96	+0.51
12% Treasury 1984	13.59	14.11	+0.52
13 1/4% Exchequer 1987	13.93	14.31	+0.38
13% Treasury 1990	14.58	14.92	+0.34
2% Index-Linked Treasury 1996	2.32	2.50	+0.28
12 1/4% Exchequer 1999	14.66	15.07	+0.41
11 1/2% Treasury 2001/04	14.34	14.76	+0.42
12% Exchequer 2013/17	13.86	14.21	+0.35
3 1/2% War (Flat Yield)	12.19	12.50	+0.31

Gilt edged yields [F.T. High coupon]

18 -

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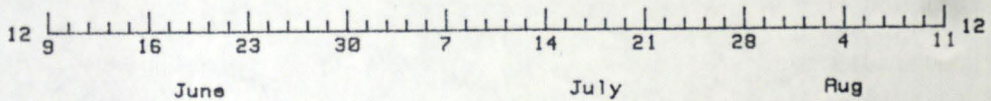


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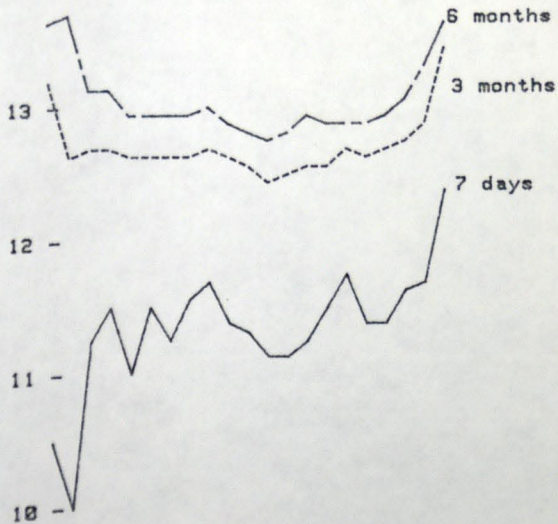


Interbank rates

Yields

14 -

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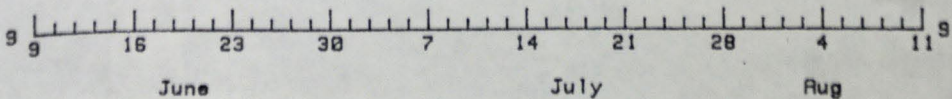


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per cent Time / Yield Curves of British Government Stocks

8th July 1981

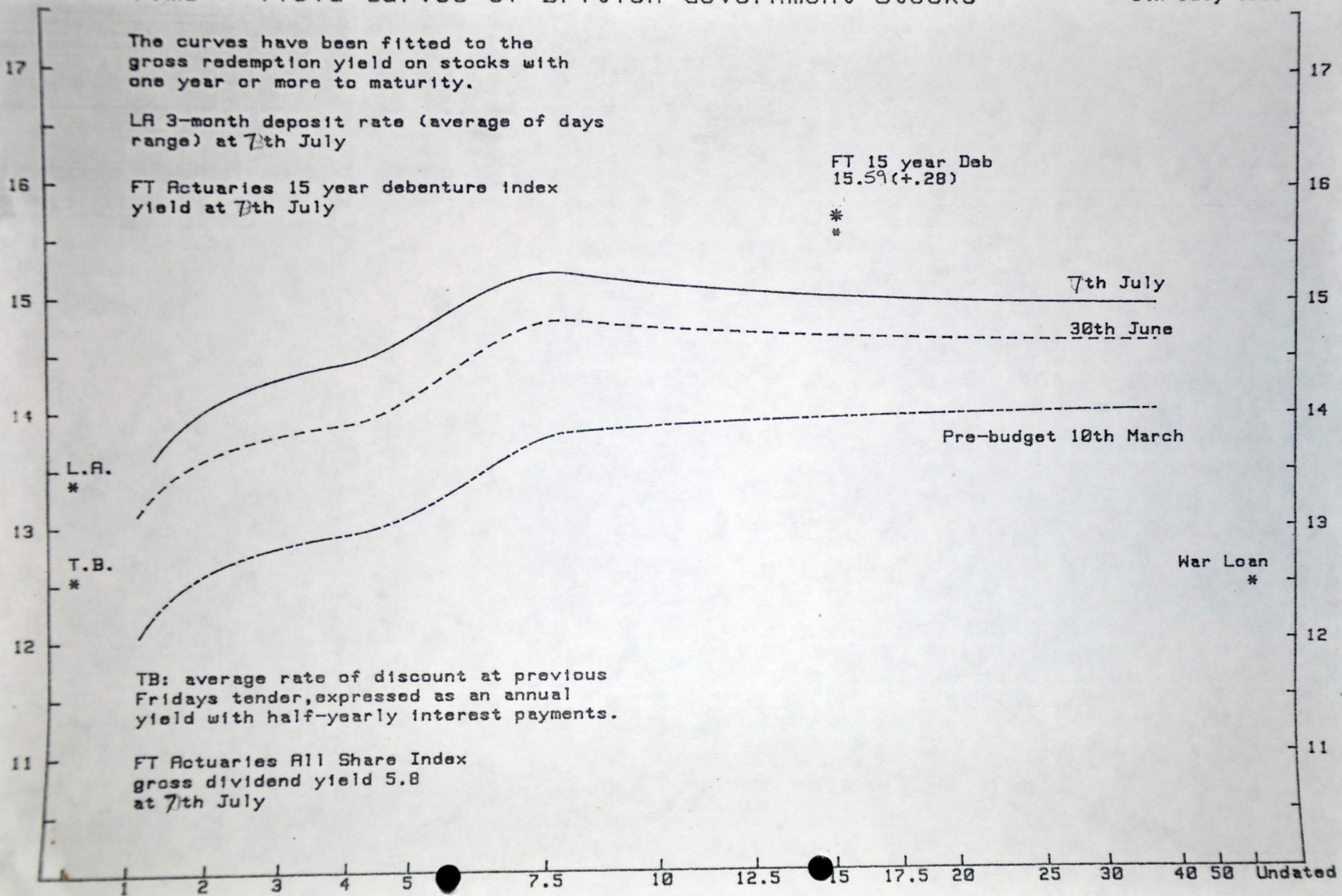
The curves have been fitted to the gross redemption yield on stocks with one year or more to maturity.

LR 3-month deposit rate (average of days range) at 7th July

FT Actuaries 15 year debenture index yield at 7th July

FT 15 year Deb
15.59(+.28)

*
*



L.A.
*

T.B.
*

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

FT Actuaries All Share Index gross dividend yield 5.8 at 7th July

Pre-budget 10th March

War Loan
*

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

Years to maturity

NEW ISSUES

	Fixed interest (excl convertibles)			
	Domestic borrowers	Foreign borrowers	Convertibles	Equities
TOTAL QUEUE*	<u>95</u>	<u>100</u>	<u>78</u>	<u>713</u>
Of which issues of 10 or more:				
Current week (8/7-10/7)			The Seiyu Stores Ltd ø (8/7) 20	Gold & Precious Metal Investment Trust (offer for sale) (9/7) 20
Week 2 (13/7-17/7)				F & C Enterprise Trust PLC (offer for sale) (17/7) 10
Week 3 (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
Week 4 (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 5 (3/8-7/8)			Kyowa Hakko Kogyo Co Ltd ø (3/8) 15	An investment trust (offer for sale) (4/8) 10 Ladbroke Group Ltd (rights) (6/8) 20
Week 6 (10/8-14/8)			Carrington Viyella (13/8) 15	Hadson Petroleum (International) PLC (offer for sale) (11/8) 10 The Ailsa Investment Trust Lt (12/8) 14 The Laird Group (rights) (14/8) 14

Week 7
(17/8-21/8)

City of Birmingham
(17/8) 75

Forthcoming

Credit Foncier
(24/8) 50

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

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
Trusthouse Forte
Ltd (rights)
(1/9) 100
John Brown & Co Ltd
(rights)
(4/9) 25
BICC Ltd (rights)
(9/9) 65
Legal and General
(15/9) 20
Foseco Minsep Ltd
(rights)
(17/9) 35
J P M Machines Ltd
(offer for sale)
(19/9) 10
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
Associated Biscuit
Manufacturers Ltd
(rights)
(9/10) 10

				Exco Securities (1979) Ltd (offer for sale) (5/11) 12
				Kwik Save Discount Group Ltd (rights) (12/11) 15

*Issues announced:	1978	60	959
	1979	162	946
	1980	364	1,066
	1981 to date	447	1,169
*Issues completed	1978	63	910
	1979	150	979
	1980	358	945
	1981 to date	339	689

*Includes issues of 3 or more

*Includes issues of less than 3

øForeign borrower

8 July 1981