

Thursday, 20th August 1981

The Gilt Edged market opened slightly firmer this morning and in early dealings prices improved to show rises of up to  $\frac{3}{8}$  in longs. At these levels however business became very slow and prices came off the top. Following the news that two American banks had increased their London base rates, prices eased again and by lunch time were showing little change on balance. During the afternoon however, aided by an improving sterling rate and by Mr. Volcker's remarks on the possibility of lower interest rates, the market improved again and closed with shorts up about  $\frac{3}{16}$  and longs back to  $\frac{3}{8}$  higher on the day. Following the Bank's announcement yesterday evening about its future dealing policy in under 1 year stocks, prices in this area eased marginally today, but there was no pressure at all to sell.

The Industrial market opened steady. Most sectors moved within narrow margins during the day with prices closing at the slightly lower levels in subdued trading conditions. Electrical issues tended to weaken. However, United Scientific were sharply higher when requoted following the recent re-organisation to include the Alvis purchase from BL. Shell were in demand on interim profits that surpassed expectations and other Oil shares hardened in sympathy. In a steady Brewery sector, Grand Metropolitan were dull on fears that the rumoured purchase of several Pan-American hotels would necessitate a large rights issue. Among Financials, Clearing Banks improved while Life Insurance companies encountered speculative interest on hopes of further foreign bid approaches. Leading "blue-chip" stocks and stores were generally easier throughout. Kaffirs declined in line with the bullion price.

Financial Times Index (3.00 p.m.)                      561.4 (down 1.9)

C.N.D.

Sales	£ 189,000
Purchases	£1,491,000
Nett Purchases on balance	£1,302,000

BANK

Sales	£ 612,000
Purchases	£6,957,000
Nett Purchases on balance	£6,345,000