

NOTE FOR WEDNESDAY MEETING

MARKETS: 26 AUGUST TO 1 SEPTEMBER 1981

MONEY

This report covers only four days owing to the Bank Holiday.

The figures for this period were dominated by Tuesday's massive PRT payment - over £2bn of which some £750mn was offset by the use of CTDs previously purchased. The remainder was also largely offset, not only by the maturity of specially issued Treasury Bills but by other Government disbursements. The small market shortage which was expected did not in fact materialise as some PRT payments were delivered too late to clear yesterday.

In the previous week Wednesday and Friday saw some degree of shortage chiefly due to the unwinding of earlier repurchase agreements, together with a substantial increase in the note circulation on the latter day. On Thursday there was a small surplus, largely the result of a net Exchequer deficit.

The Bank assisted the market on Wednesday and Friday by the outright purchase of Treasury, Local Authority and bank bills.

Short inter-bank rates showed a tendency to firmness before the weekend, particularly at seven days where the effect was presumably due to institutions seeking funds to tide them over PRT day. All rates up to one month tended to ease on Tuesday after some initial apprehensive firmness.

Longer rates continued very stable; the three-month rate finished $1/16\%$ up at 14% .

Euro-sterling rates were generally slightly easy before the weekend but firmed sharply on Tuesday, leaving the three-month rate $1/8\%$ up at $14 \frac{1}{16}\%$.

At the Treasury Bill tender on Friday the average rate of discount fell by 0.0596 to 13.1867.

LOCAL AUTHORITY BORROWING

The rate for one-year bonds rose by $1/8\%$ to $14\ 3/8\%$. Issues amounted to £13.25mn (£11.25mn last week) against maturities of the same amount.

GILTS

Amid continued uncertainty on the future course of US interest rates, the market remained very quiet each side of the holiday weekend.

The market started the week on a fairly steady note last Wednesday following the sharp falls of the preceding two days and prices of longs improved by up to $5/8$ and shorts by $1/4$. On Thursday concern again surfaced over the likely continuation of the present high levels of US interest rates and longs lost most of the gains achieved the previous day; however, shorts held fairly steady. On Friday, although trading was very light, optimism that the recent reduction in broker loan rates might after all presage a downward move in US prime rates, left prices of some longs up to $1/2$ better and shorts up $1/4$.

After the weekend the market was again very quiet with continuing uncertainty on US interest rate trends and prices were little changed.

Over the week as a whole prices of shorts rose by up to $3/8$, mediums by around $5/8$ and longs by up to $1/2$.

EQUITIES

Last Wednesday, following the late recovery on Wall Street the previous day, the market opened on a firm note. The announcement of some unexpectedly good trading results for two companies and encouraging news regarding Midland's proposed acquisition of Crocker, further improved sentiment and the Index gained 9.4 points. The firm conditions continued on Thursday but in a much quieter market. The start of the new account on Friday brought the surprise appearance of a number of buyers and as a result of a general shortage of stock ahead of the holiday weekend the Index was pushed up 11.5 points to 573.8, its highest level since 5 May.

The opening of the market this week was overshadowed by the announcement of a £87mn rights issue for Trusthouse Forte Ltd and in the quiet and dull conditions that followed the Index drifted down to close 5.8 points lower at 568.0 a rise of 18.9 points over the week as a whole.

NEW ISSUES

Queue

One rights issue of £20mn for British Land Co Ltd was added to the queue. Following the announcement of Trusthouse Forte and some other small issues last week the queue total has now fallen to £638mn, the lowest level since the beginning of April.

(Init EAJG)

2 September 1981

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases -)

1. Transactions (cash value)

	26.8.81 <u>- 1.9.81</u>	Cal Qtr <u>to date</u>	Fin Year <u>to date</u>	18.2.81 <u>to date</u>
Issue Department				
Purchases/sales				
Next Maturities	+ 10	- 218	- 1,354	- 1,773
Other short-dated	<u>+ 18</u>	<u>+ 364</u>	<u>+ 921</u>	<u>+ 1,410</u>
	+ 28	+ 146	- 433	- 363
Mediums	+ 13	+ 184	+ 1,762	+ 2,495
Longs and undated	<u>- 12</u>	<u>+ 798</u>	<u>+ 1,531</u>	<u>+ 2,569</u>
Total Issue				
Department trans-				
actions	+ 29	+ 1,128	+ 2,860	+ 4,701
CRND	- 1	+ 3	+ 188	+ 239
Redemptions	- 46*	- 512	- 834	- 928
	<u>- 18</u>	<u>+ 619</u>	<u>+ 2,214</u>	<u>+ 4,012</u>

* 3% Exchequer 1981

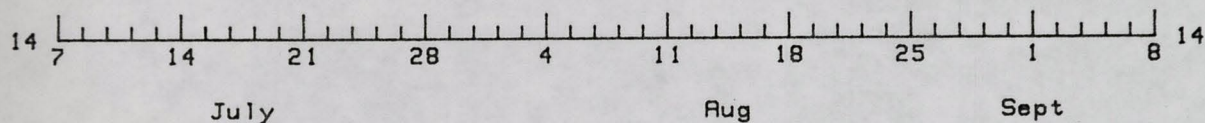
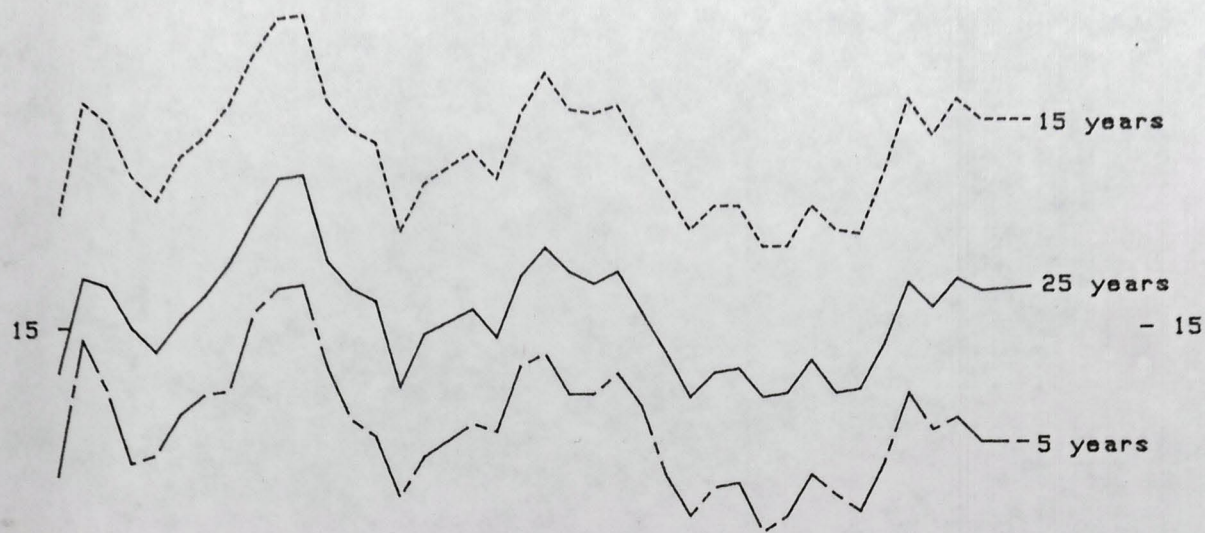
2. Redemption Yields (tax ignored)

	<u>25 August</u>	<u>1 September</u>	<u>Change</u>
14% Treasury 1982	13.48	13.17	-0.31
13 1/2% Exchequer 1983	14.28	14.11	-0.17
12% Treasury 1984	14.48	14.25	-0.23
13 1/4% Exchequer 1987	14.49	14.36	-0.13
13% Treasury 1990	14.86	14.81	-0.05
2% Index-Linked	2.76	2.72	-0.04
Treasury 1996			
12 1/4% Exchequer 1999	15.32	15.27	-0.05
11 1/2% Treasury 2001/04	14.95	14.90	-0.05
12% Exchequer 2013/17	14.39	14.39	N/C
3 1/2% War (Flat Yield)	13.13	13.10	-0.03

Gilt edged yields [F.T. High coupon]

16 -

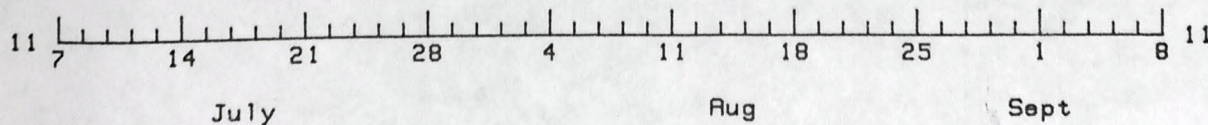
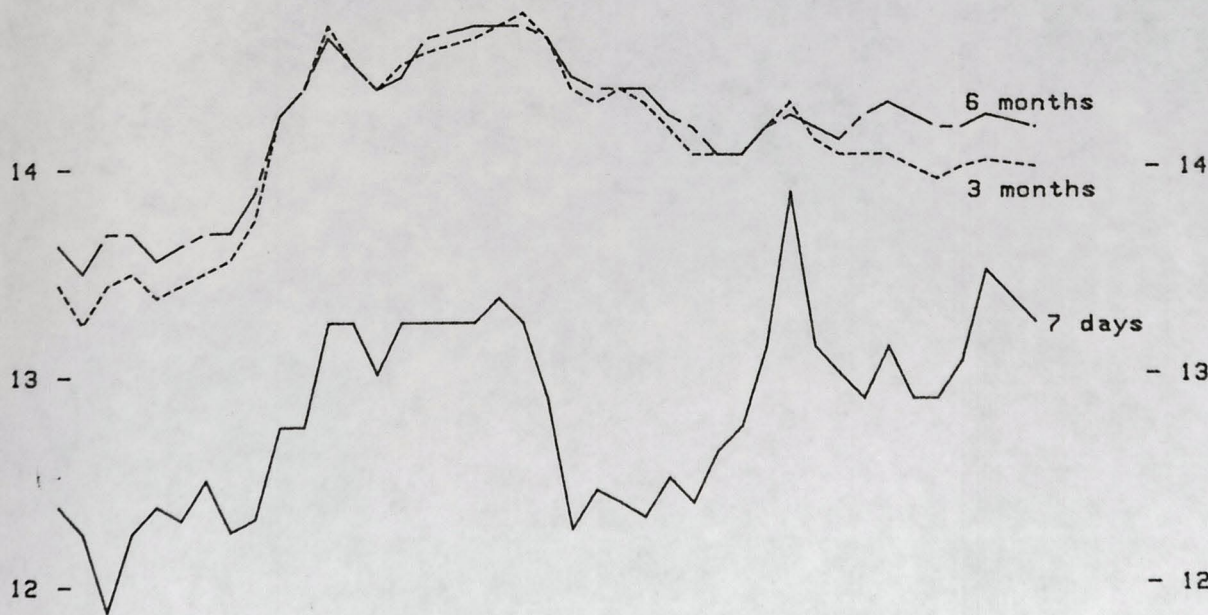
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Interbank rates

15 -

Yields
- 15



NEW ISSUES

	Fixed interest (excl convertibles)		Convertibles	Equities
	Domestic borrowers	Foreign borrowers		
TOTAL QUEUE*	<u>12</u>	<u>125</u>	<u>89</u>	<u>512</u>
Of which issues of 10 or more:				
Current week (2/9-4/9)				John Brown & Co Ltd (rights) (4/9) 25
Week 2 (7/9-11/9)			London Trust Company Ltd (8/9) 15 Nippon Electric ϕ (8/9) 40	BICC Ltd (rights) (9/9) 65
Week 3 (14/9-18/9)		Mexico (14/9) 75		A Japanese Investment Trust (offer for sale) (16/9) 10 Foseco Minsep Ltd (rights) (17/9) 35
Week 4 (21/9-25/9)				An Investment Trust (offer for sale) (21/9) 10 Habitat Design Holdings Ltd (offer for sale) (24/9) 15
Week 5 (28/9-2/10)		EIB (28/9 or 5/10) 50	Nippon Seiko ϕ (30/9) 30	Second Throgmorton Investment Co PLC (offer for sale) (28/9) 13 Guinness Peat Group Ltd (rights) (29/9) 15 <u>British Land Co Ltd</u> <u>(rights)</u> <u>(6/10) 20</u>
Week 6 (5/10-9/10)				Second Save & Prosper Linked Investment Trust PLC (offer for sale) (7/10) 30

Week 7
(12/10-16/10)

Forthcoming

Associated Biscuit
Manufacturers Ltd
(rights)
(9/10) 10

Drayton Montagu
Japan Trust
(offer for sale)
(16/10) 15

RIT Ltd
(rights)
(2/11) 25
Charterhouse Venture
Capital Fund
(private placing)
(3/11) 10

Exco Securities
(1979) Ltd
(offer for sale)
(5/11) 12
Houlder Offshore Ltd
(offer for sale)
(10/11) 25

Superdrug Stores Ltd
(offer for sale)
(13/11) 10

Kwik Save Discount
Group Ltd
(rights)
(26/11) 15

J P M Machines Ltd
(offer for sale)
(3/12) 10

The Bowater
Corporation Ltd
(rights)
(8/12) 80

Norsk Data AS
(offer for sale)
(21/1) 10

/Issues announced:	1978	60	959
	1979	162	946
	1980	364	1,066
	1981 to date	500	1,354
/Issues completed	1978	63	910
	1979	150	979
	1980	358	945
	1981 to date	469	1,017

*Includes issues of 3 or more
/Includes issues of less than 3
ØForeign borrower

2 September 1981

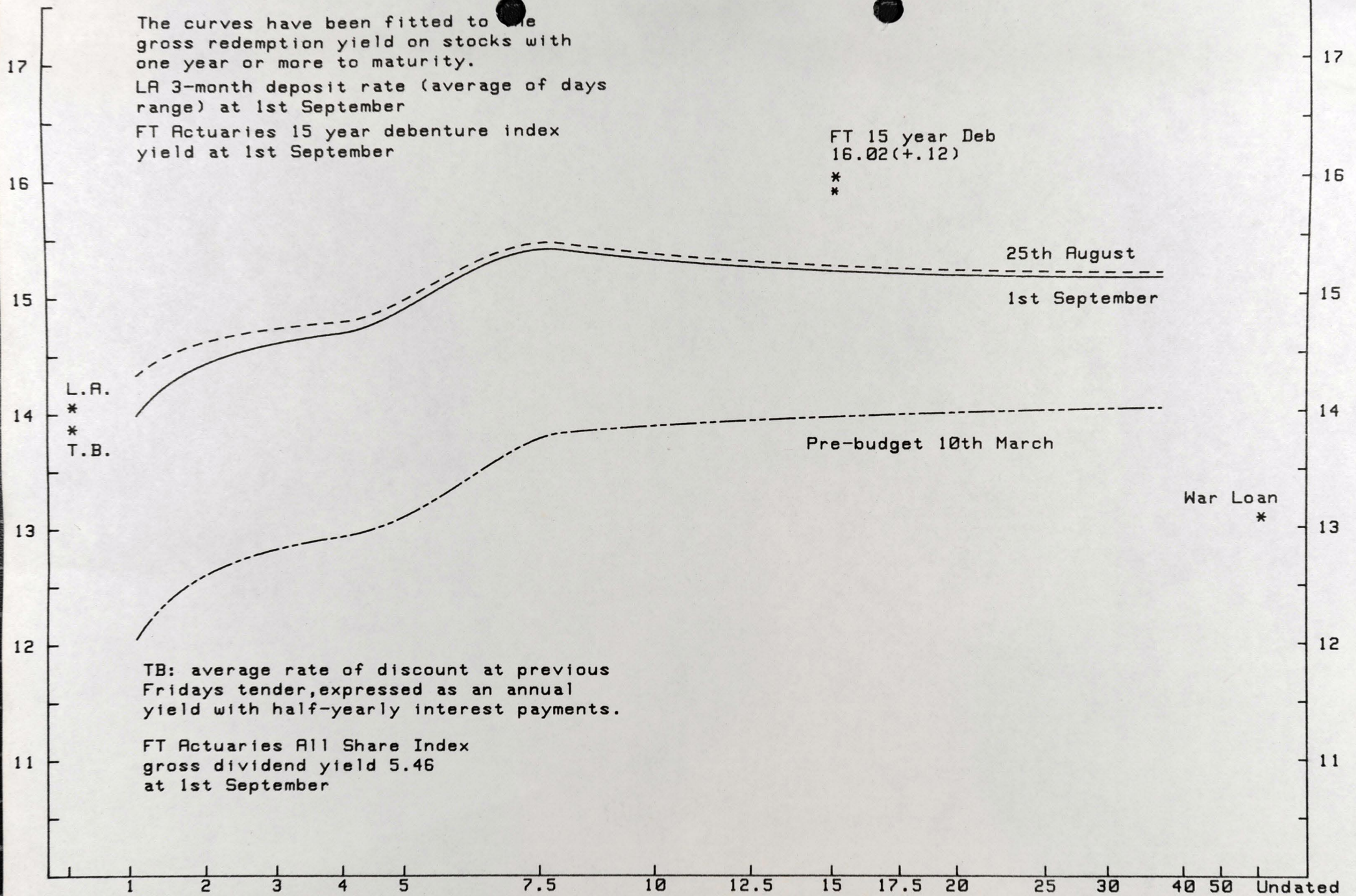
Per cent

Time / Yield Curves of British Government Stocks

2nd September 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 1st September
 FT Actuaries 15 year debenture index yield at 1st September

FT 15 year Deb
 16.02(+.12)
 *
 *



L.A.
 *
 *
 T.B.

25th August
 1st September

Pre-budget 10th March

War Loan
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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 5.46
 at 1st September

MLR=12.00% at 18th Aug 14.00% at 10th March

Years to maturity