

Thursday, 3rd December, 1981.

Following the Chancellor's statement of yesterday the Gilt-Edged market opened steady this morning, with an easier overnight trend in U.S. bonds sufficient to deter most would be investors. The market showed little movement prior to the reductions in Clearing Bank base rates, after which the sterling/dollar rate fell away. This in turn brought in a few sellers in the Gilt-Edged market and prices began to ease in the long end, so that by lunchtime losses of up to  $\frac{1}{2}$  had appeared. There was little further change during the afternoon, and longs closed at around the lunchtime levels. Shorts showed mixed changes but were generally marginally easier on balance.

The Industrial market opened steady with dealers uncertain after the Chancellor's economic speech yesterday. Most sectors declined during the day on widespread profit-taking with the long awaited base rate cuts failing to stimulate investment interest. Prices closed around the worst levels with no forward buying evident prior to next week's new account. Electricals were lower following rather disappointing interim reports from both Plessey and GEC. Among Financials, Clearing Banks weakened on fears that the latest base rate reductions will squeeze trading margins. Royal Bank of Scotland were unchanged after the annual results that equalled market estimates. In a dull Engineering sector, John Brown continued to fall on further consideration of yesterday's adverse profit forecast. British Petroleum third-quarter figures were below expectations and the shares were marked down sharply. Other Oil issues reacted in sympathy. Stores, Foods and Breweries were generally weak throughout on lack of support. Kaffirs improved in line with the firm bullion price.

Financial Times Index (3.00 p.m.) 519.2 (down 11.8)

C.N.D. Sales and Purchases NIL

<u>BANK</u>	Sales	£	51,649,000
	Purchases	£	51,023,000
	Nett Sales on balance	£	626,000