

NOTE FOR WEDNESDAY MEETING

MARKETS: 16 DECEMBER to 22 DECEMBER 1981

MONEY

Although the market again experienced some tightness before the weekend, much more comfortable conditions emerged towards the end of the week. The shortages resulted from the seasonal increase in the note circulation, the unwinding of previous assistance by the Bank and some sales of gilt-edged stock. The balance of Exchequer transactions was in the market's favour every day.

The Bank gave assistance each day before the weekend, purchasing a combination of bank, Local Authority and Treasury bills. No assistance was necessary on Monday; and on Tuesday, for the first time since late September, it was possible to sell a small quantity of Treasury bills to absorb surplus funds.

Short-term interbank rates opened on an easy note but firmed somewhat in the tight conditions before the weekend. These rates eased back thereafter, the seven-day rate finishing $1/8\%$ down on the week at $14\ 7/8\%$.

Longer rates too were comfortable at the start of the week but firmed on Thursday in response to the November money and banking figures. These rates continued firm after the weekend, to some extent influenced by the firmer trend in US rates. The three-month rate finished $7/16\%$ up on the week at $15\ 7/8\%$, having previously touched 16% .

Eurosterling rates tended easier before the weekend but were firmer for the rest of the week, reflecting the movement of domestic rates. The three-month rate closed $7/16\%$ up on the week at $15\ 15/16\%$.

At the Treasury Bill tender on Friday the average rate of discount rose 0.0359 to 14.6160.

LOCAL AUTHORITY BORROWING

There was no issue of bonds this week.

GILTS

After a bright start, trading was generally dull with activity at a very low level as the market settled into its pre-Christmas lull.

The market extended its recovery in thin trading on Wednesday as the pound steadied, money market rates eased and US bonds opened firmer. Quite sizeable sales were made of the recently issued 1995 tranchette and shorts closed about $1/4 - 3/8$ up and longs about $3/8 - 1/2$ higher. Trading was extremely quiet on Thursday and prices drifted lower. Sharper falls were seen the following day reflecting overnight weakness in US bonds, comment on the November money figures published on Thursday and a renewed downturn in sterling. Prices closed up to $3/4$ lower throughout the list.

Activity remained at a very low level after the weekend. Gilts encountered fresh dullness on Monday as money market rates firmed, although prices ended only about $1/4$ down. Yesterday, with money market conditions more comfortable, prices edged forward after a weak start to close about $1/4$ higher.

Over the week as a whole prices of shorts fell by up to $5/8$ (to yield about $16 \frac{3}{16} - 16 \frac{1}{2}\%$ on five-year maturities) and those of longs by $3/8 - 1/2$ (to yield about $16 - 16 \frac{1}{8}\%$ on 20-year maturities). Against this trend the prices of the two index-linked stocks rose by $1/4$.

EQUITIES

After improving on Wednesday, prices slipped back on balance over the rest of the week. As with gilts, trading was very thin.

The market improved in line with gilts on Wednesday and the FT Index closed 7.1 higher. Conditions were quietly cautious on Thursday with interest confined mainly to special situations; a slight

fall in the Index was largely accounted for by weakness in Distillers (one of the constituents) following poor interim results. A firmer tendency was apparent on Friday as the market took encouragement from the latest Quarterly Bulletin; but concern at the November RPI helped leave prices only slightly higher on the day.

As with gilts, the market was very quiet after the weekend. After opening higher in response to Wall Street's advance on Friday, prices slipped back on Monday with the latest CBI survey an additional adverse influence on top of interest rate fears. Yesterday, prices continued to drift lower, again in very quiet conditions, and the FT Index closed 1.9 down at 518.8, a net rise of 5.3 over the week as a whole.

NEW ISSUES

Queue

One new issue of £10 mn or more was added to the queue: a rights issue of £30 mn by Cement-Roadstone Holdings Ltd. The queue now totals £939 mn against £913 mn last week.

Net Capital Issues

The net amount of new money raised in banking December was £390 mn against only £67 mn in the previous month. This increase reflected the final instalment of the BP rights issue (£340 mn). Over the year as a whole the total raised was £1,858 mn against £936 mn in 1980.

(init EAJG)
23 December 1981

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases -)

1. Transactions (cash value)

	<u>16.12.81</u> <u>-22.12.81</u>	<u>Cal Qtr</u> <u>to date</u>	<u>Fin Year</u> <u>to date</u>	<u>18.2.81</u> <u>to date</u>
Issue Department				
Purchases/sales				
Next Maturities	- 3	- 780	- 2,210	- 2,629
Other short-dated	+ 25	+ 1,316	+ 2,235	+ 2,725
	+ 22	+ 536	+ 25	+ 96
Mediums	+ 53	+ 578	+ 2,419	+ 3,153
Longs and undated	-	+ 1,444	+ 3,248	+ 4,286
Total Issue				
Department trans-				
actions	+ 75	+ 2,558	+ 5,692	+ 7,535
CRND	- 4	+ 102	+ 279	+ 330
Redemptions	-	- 385	- 1,228	- 1,324
	+ 71	+ 2,275	+ 4,743	+ 6,541

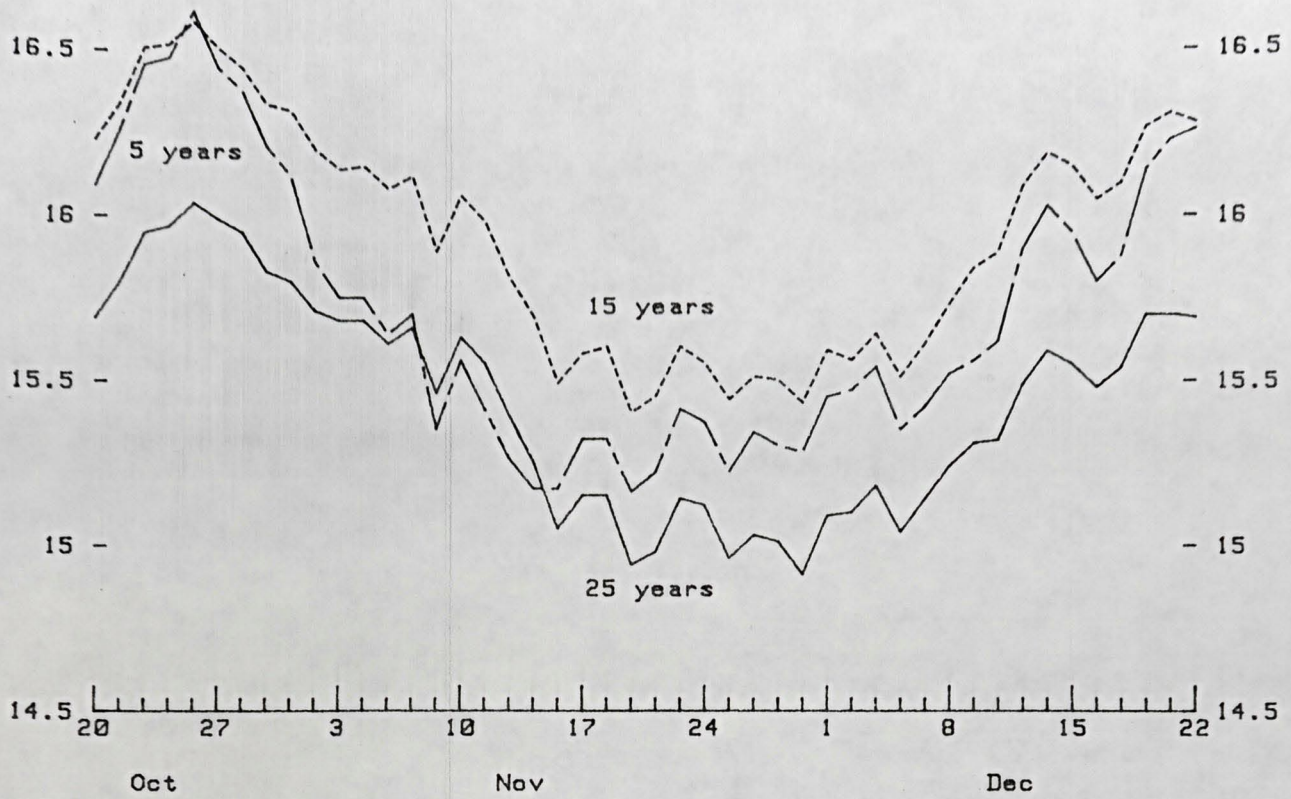
2. Redemption Yields (tax ignored)

	<u>15 December</u>	<u>22 December</u>	<u>Change</u>
12% Treasury 1983	15.41	15.56	+0.15
15% Treasury 1985	15.93	16.24	+0.31
12% Treasury 1987	16.22	16.51	+0.29
11 3/4% Treasury 1991	16.31	16.58	+0.27
13 1/2% Treasury 1994	16.41	16.59	+0.18
2% Index-Linked			
Treasury 1996	3.20	3.22	+0.02
12 1/4% Exchequer 1999	15.93	16.10	+0.17
14% Treasury 1998/01	16.01	16.20	+0.19
12% Exchequer 2013/17	14.84	15.00	+0.16
3 1/2% War Loan (Flat Yield)	13.16	13.41	+0.25

Gilt edged yields [F.T. High coupon]

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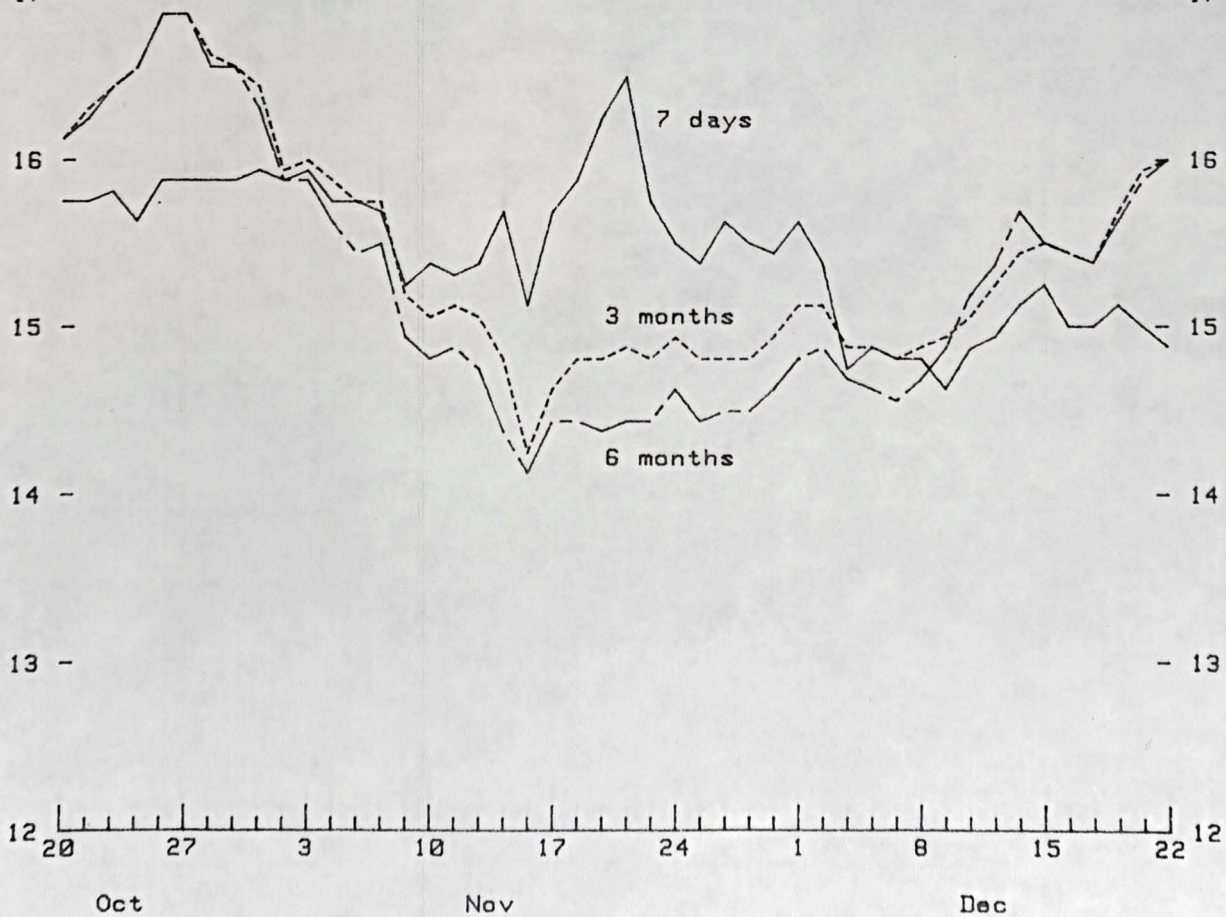


Interbank rates

Yields

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NEW ISSUESFixed interest
(excl convertibles)

	<u>Domestic borrowers</u>	<u>Foreign borrowers</u>	<u>Convertibles</u>	<u>Equities</u>
TOTAL QUEUE*	<u>16</u>	<u>200</u>	<u>=</u>	<u>723</u>
Of which issues of 10 or more:				
Current week (23/12-24/12)				
Week 2 (28/12-31/12)				
Week 3 (4/1-8/1)				Kwik Save Discount Group PLC (rights) (7/1) 15
Week 4 (11/1-15/1)				Split Level Investment Trust (offer for sale) (11/1) 20 Candecca Resources Ltd (rights) (12/1) 10 United Engineering Ltd (rights) (13/1) 10
Week 5 (18/1-22/1)				MEPC Ltd (rights) (19/1) 70
Week 6 (25/1-29/1)		IBRD (offer for sale) (25/1) 100		Clyde Petroleum PLC (rights) (26/1) 25 Drayton Montagu Japan Trust (offer for sale) (27/1) 15 Davy Corp Ltd (rights) (28/1) 30
Week 7 (1/2-5/2)				

forthcoming

BIB
(offer for sale)
(8/3?) 100

Amersham
International
(offer for sale by
Atomic Energy
Authority)
(11/2) 50
Lloyds Bank Ltd
(rights)
(19/2) 100
The Throgmorton
Finsbury Trust PLC
(offer for sale)
(1/3) 13
Ultramar Company Ltd
(rights)
(3/3) 100
The Bowater
Corporation Ltd
(rights)
(10/3) 80
Cement-Roadstone
Holdings Ltd
(rights)
(15/3) 30
Norsk Data AS
(offer for sale)
(17/3) 10
Vickers Ltd
(rights)
(24/3) 35
Coloroll Ltd
(offer for sale)
(14/4) 15
British Transport
Docks Board
(offer for sale)
(24/5-4/6?) 50
Powell Duffryn Ltd
(rights)
(23/6) 20
Superdrug Stores Ltd
(offer for sale)
(9/7) 10

/Issues announced:	1978	60	959
	1979	162	946
	1980	364	1,066
	1981 to date	626	1,605
/Issues completed	1978	63	910
	1979	150	979
	1980	358	945
	1981 to date	561	1,720

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

