

NOTE FOR WEDNESDAY MEETING

MARKETS: 23 DECEMBER TO 29 DECEMBER 1981

This note covers only three days due to the Christmas holiday.

MONEY

Conditions in the money market tightened again just prior to Christmas and day to day money continued to be in short supply after the holiday. Maturing commercial bills were chiefly responsible although an adverse Exchequer position contributed and, indeed, was the main factor on Thursday. Some respite resulted from falls in the note circulation both before and after the holiday.

The Bank provided assistance by buying bills on a repurchase basis on Thursday and outright on the other two days.

The interbank market was generally rather nervous and rates fluctuated within a narrow range. Wednesday and Tuesday saw slight easings but these were more reactions to ample assistance in quiet trading than speculative positions. The 3-month rate closed $1/8\%$ down at $15\ 15/16\%$.

Eurosterling rates continued to mirror domestic rate movements. The 3-month rate also ended at $15\ 15/16\%$, $3/16\%$ down on the week.

At the Treasury bill tender on Thursday the average rate of discount rose 0.2046 to 14.8206 in slightly reduced competition.

LOCAL AUTHORITY BORROWING

The rate for one year bonds was $15\ 5/8\%$ which compares with $15\ 1/2\%$ at the most recent previous issue on 16 December. Issues amounted to £7.7 mn (the same as last time) against maturities of £10.45 mn.

GILTS

The gilt market was very quiet this week although some small official sales were made.

Very quiet conditions continued up to Christmas but a few small buyers on Wednesday put selected low coupon short-dated stocks higher and longer maturities gained about 1/4. The slight easing of money rates prolonged support for shorts into Thursday but longer dated stocks were virtually unmoved. Trading continued light after the Christmas holiday; prices edged up on small buying and a small amount of short-dated stock was sold.

Over the week as a whole prices of shorts rose by up to 7/16 (to yield about 16 3/16 - 16 1/4% on five year maturities) and those of longs by about 3/4 (to yield about 16 - 16 1/8% on 20 year maturities).

EQUITIES

The equity market was also extremely quiet in the days around Christmas. Trading which occurred was highly selective as institutional interest was very limited with nervousness over industrial and interest rate prospects for the new year.

Prices opened down on Wednesday in response to a depressed Wall Street but rallied slightly before easing back in late trading. Thursday saw a slight recovery which continued after the holiday. The FT Index closed 5.2 up over the week as a whole at 524.0.

NEW ISSUES

Queue

There were no additions to the queue but a £20 mn offer for sale by Split Level Investment Trust has been withdrawn. The queue now totals £914 mn against £939 mn last week.

(init EAJG)
30 December 1981

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases -)

1. Transactions (cash value)

	23.12.81 <u>-29.12.81</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	+ 9	- 771	- 2,201	- 2,620
Other short-dated	<u>+ 9</u>	<u>+ 1,325</u>	<u>+ 2,244</u>	<u>+ 2,734</u>
	+ 18	+ 554	+ 43	+ 114
Mediums	-	+ 578	+ 2,419	+ 3,153
Longs and undated	<u>-</u>	<u>+ 1,444</u>	<u>+ 3,248</u>	<u>+ 4,286</u>
Total Issue				
Department trans-				
actions	+ 18	+ 2,576	+ 5,710	+ 7,553
CRND	- 2	+ 101	+ 277	+ 328
Redemptions	-	- 385	- 1,228	- 1,324
	<u>+</u>	<u>+</u>	<u>+</u>	<u>+</u>
	16	2,292	4,759	6,557
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

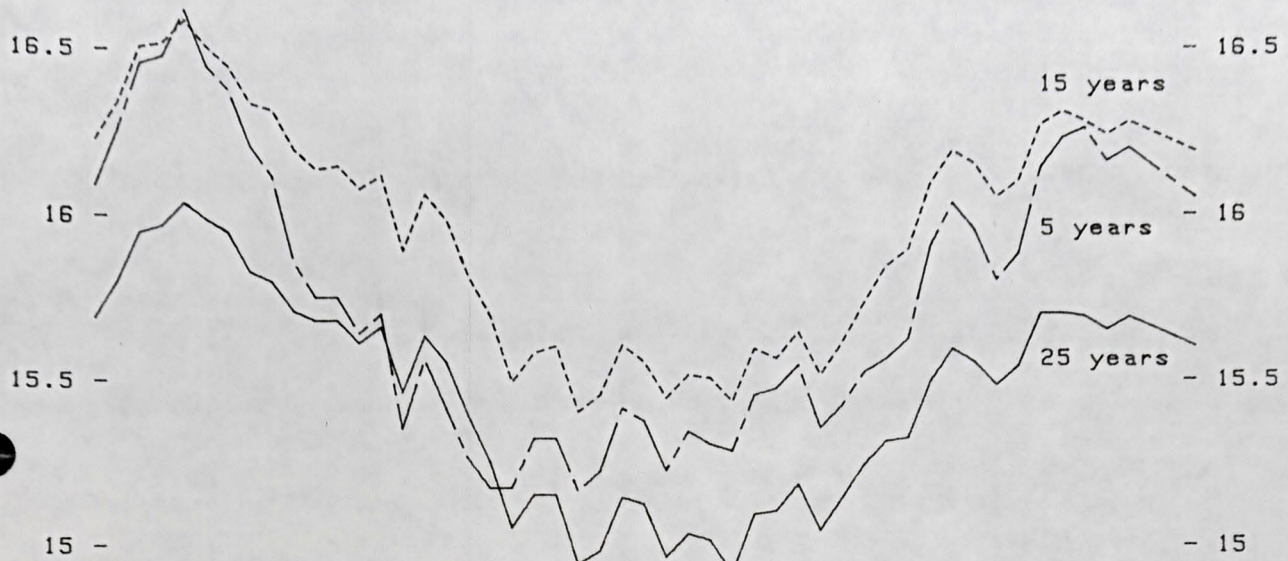
2. Redemption Yields (tax ignored)

		<u>22 December</u>	<u>29 December</u>	Change
12%	Treasury 1983	15.56	15.52	-0.04
15%	Treasury 1985	16.24	16.11	-0.13
12%	Treasury 1987	16.51	16.34	-0.17
11 3/4%	Treasury 1991	16.58	16.37	-0.21
13 1/2%	Treasury 1994	16.59	16.44	-0.15
2%	Index-Linked			
	Treasury 1996	3.22	3.18	-0.04
12 1/4%	Exchequer 1999	16.10	15.95	-0.15
14%	Treasury 1998/01	16.20	16.07	-0.13
12%	Exchequer 2013/17	15.00	14.87	-0.13
3 1/2%	War Loan (Flat Yield)	13.41	13.29	-0.12

Gilt edged yields [F.T. High coupon]

17 -

- 17



14.5 | 20 27 3 10 17 24 1 8 15 22 *29 | 14.5

Oct Interbank rates

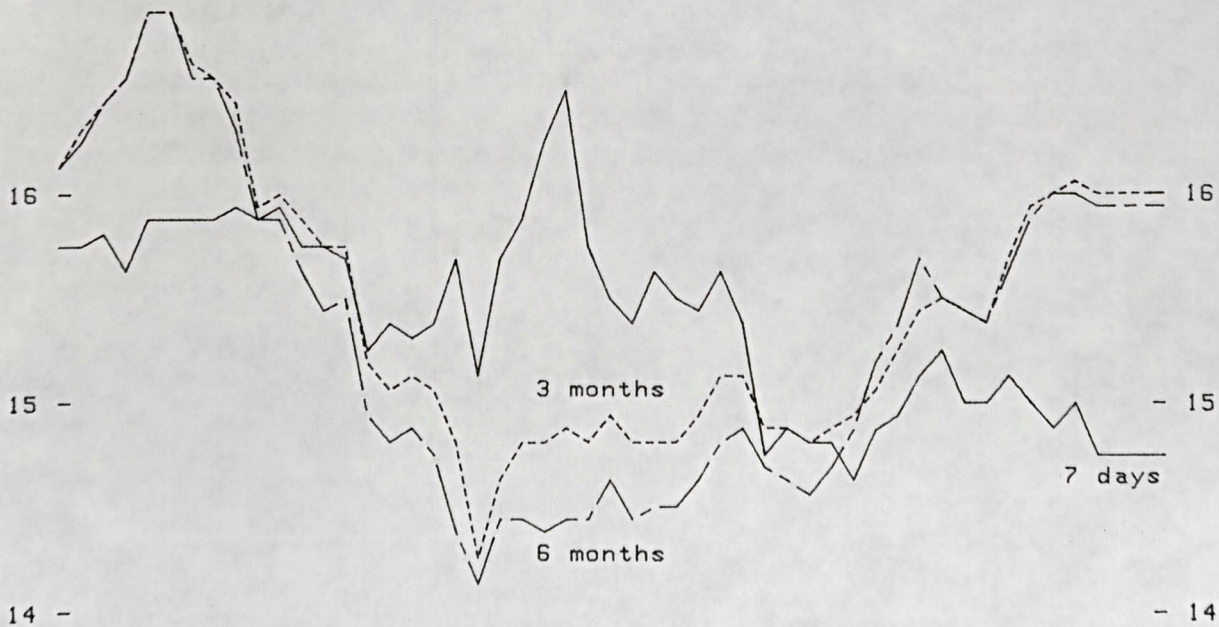
Nov

Dec

Yields

17 -

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13 | 20 27 3 10 17 24 1 8 15 22 *29 | 13

Oct * Bank Holiday

Nov

Dec