

## NOTE FOR WEDNESDAY MEETING

MARKETS: 13 JANUARY TO 19 JANUARY 1982

## Money

Substantial shortages were experienced in the money market for most of the week with commercial bill maturities once again being the most important factor. On Friday and Tuesday the Exchequer position also contributed significantly in draining funds but whilst in the first instance the situation was aided by the redemption of 8 1/2% Treasury 1980/82, on Tuesday payment for official sales of gilt-edged stock added to the shortage.

The Bank provided assistance each day by the outright purchase of bills.

Interbank rates showed a good deal of stability before the weekend but as sterling stayed firm and the industrial news brightened some easing took place on Monday (particularly in period rates) and the Bank lowered its dealing rates. This easing continued on Tuesday as dealing rates were again reduced and the three-month rate closed at 15 1/8%, 3/8 down over the week as a whole.

Eurosterling rates fluctuated in a narrow band around comparable domestic rates and the three-month rate also ended the week at 15 1/8%, down about 7/16 over the week.

At the Treasury bill tender on Friday the average rate of discount fell 0.1242 to 14.5459% in increased competition.

## Local Authority Borrowing

The rate for one year bonds fell by 1/4% to 15 1/4%. Issues amounted to £15.25 mn (£14.75 mn last week) against maturities of £15 mn.



## Gilts

Having been quiet and somewhat firmer on balance prior to the weekend, the market moved ahead confidently thereafter helped by the favourable reports about the miners' ballot, the US bond market's resilience and the reduction in the Bank's money market dealing rates. Sizeable official sales were made, exhausting the short tap.

Although the market remained quiet on Wednesday, prices were slightly firmer following Tuesday's encouraging CGBR figures. On Thursday, sentiment was unsettled by the easier tone of sterling and the overnight weakness of US bonds, but prices edged better later in the day to close only slightly lower; against the general trend, low coupon stocks ended with gains of up to 5/16. Helped by a recovery in US bonds and a firmer pound, prices made further modest gains on Friday.

After the weekend, the market was initially torn on Monday between apprehension about the reaction in the US markets to the latest rise in money supply there and favourable speculation about the result of the miners' ballot. The influence of the latter, together with the slight reduction in the Bank's money market dealing rates, gained the upper hand and prices moved ahead, with enough demand to enable official sales of stock to be made. With the US bond market coming in better in the afternoon, the market closed up to 1/2 higher in shorts and about 1 up in longs. This stronger tendency continued yesterday as the improvement in US bonds was confirmed overnight and the Bank's dealing rates were again trimmed slightly: further sizeable official sales were made, exhausting the short tap, 14% Exchequer 1986, at a price of 93. Demand for shorts was then largely satisfied, but the untapped long end continued to move ahead, closing with gains of up to 1 point.

Over the week as a whole prices of shorts rose by 1 - 2 points (bringing yields on five-year maturities back below 16%) and those on longs by 2 7/8 points (yields of 15 3/8 - 15 3/4% on 20-year maturities).



## Equities

The market has held up well in the face of the gloomy industrial situation and advanced strongly yesterday in line with gilts.

Notwithstanding the rail strike and doubts about the outcome of the miners' ballot, equities ended with small gains on Wednesday. Some selling developed on Thursday but the market followed gilts higher on Friday, the FT Index closing 4.4 points up.

After the weekend, prices were marked higher on Monday morning reflecting the better news on the miners' situation, but the expected buyers did not materialise and prices closed below their best. However the market moved ahead strongly yesterday encouraged by the strengthening of gilts and lower money market rates and the FT Index closed 11.2 points up at 545.9, a gain of 21.3 points on the week and its highest level since 11 September 1981.

## NEW ISSUES

### Queue

No new issues of £10 mn or more were added to the queue this week. With the announcement of MEPC's rights issue of over £60 mn and the cancellation of IBRD's proposed £100 mn bulldog issue, the total queue amounts to £911 mn compared with £1,080 mn last week.

Init EAJG

20 January 1982



Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases - )

1. Transactions (cash value)

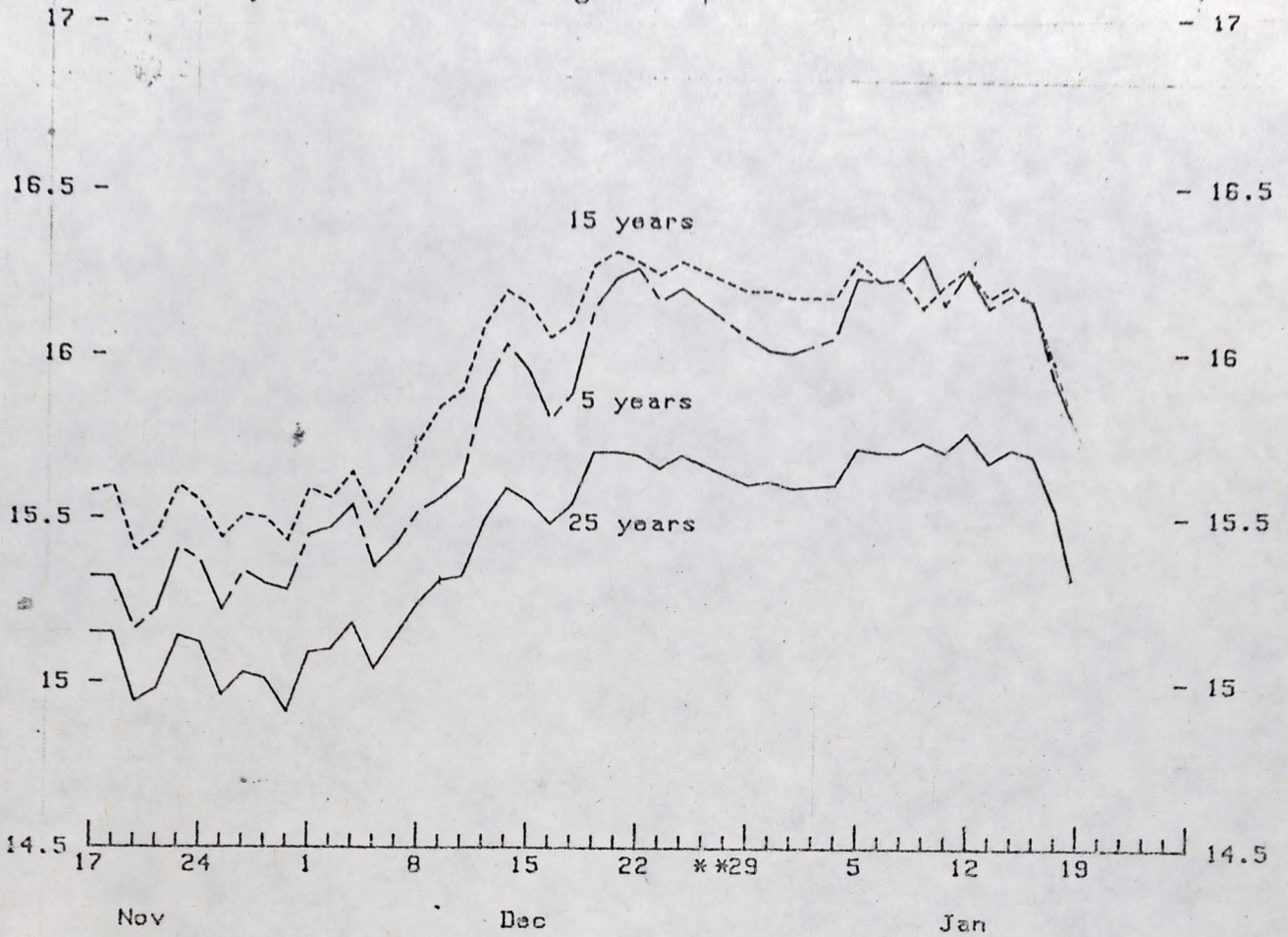
|                   | 13. 1.82<br><u>-19. 1.82</u> | Cal Qtr<br><u>to date</u> | Fin Year<br><u>to date</u> | 18.2.81<br><u>to date</u> |
|-------------------|------------------------------|---------------------------|----------------------------|---------------------------|
| Issue Department  |                              |                           |                            |                           |
| Purchases/sales   |                              |                           |                            |                           |
| Next Maturities   | -                            | - 145                     | - 2,360                    | - 2,779                   |
| Other short-dated | + 234                        | + 637                     | + 2,886                    | + 3,376                   |
|                   | + 234                        | + 492                     | + 526                      | + 597                     |
| Mediums           | + 98                         | + 202                     | + 2,621                    | + 3,354                   |
| Longs and undated | + 42                         | + 21                      | + 3,269                    | + 4,307                   |
| Total Issue       |                              |                           |                            |                           |
| Department trans- |                              |                           |                            |                           |
| actions           | + 374                        | + 715                     | + 6,416                    | + 8,258                   |
| CRND              | + 71                         | + 64                      | + 340                      | + 391                     |
| Redemptions       | - 181                        | - 181                     | - 1,410                    | - 1,505                   |
|                   | <u>+</u> 264                 | <u>+</u> 598              | <u>+</u> 5,346             | <u>+</u> 7,144            |

2. Redemption Yields (tax ignored)

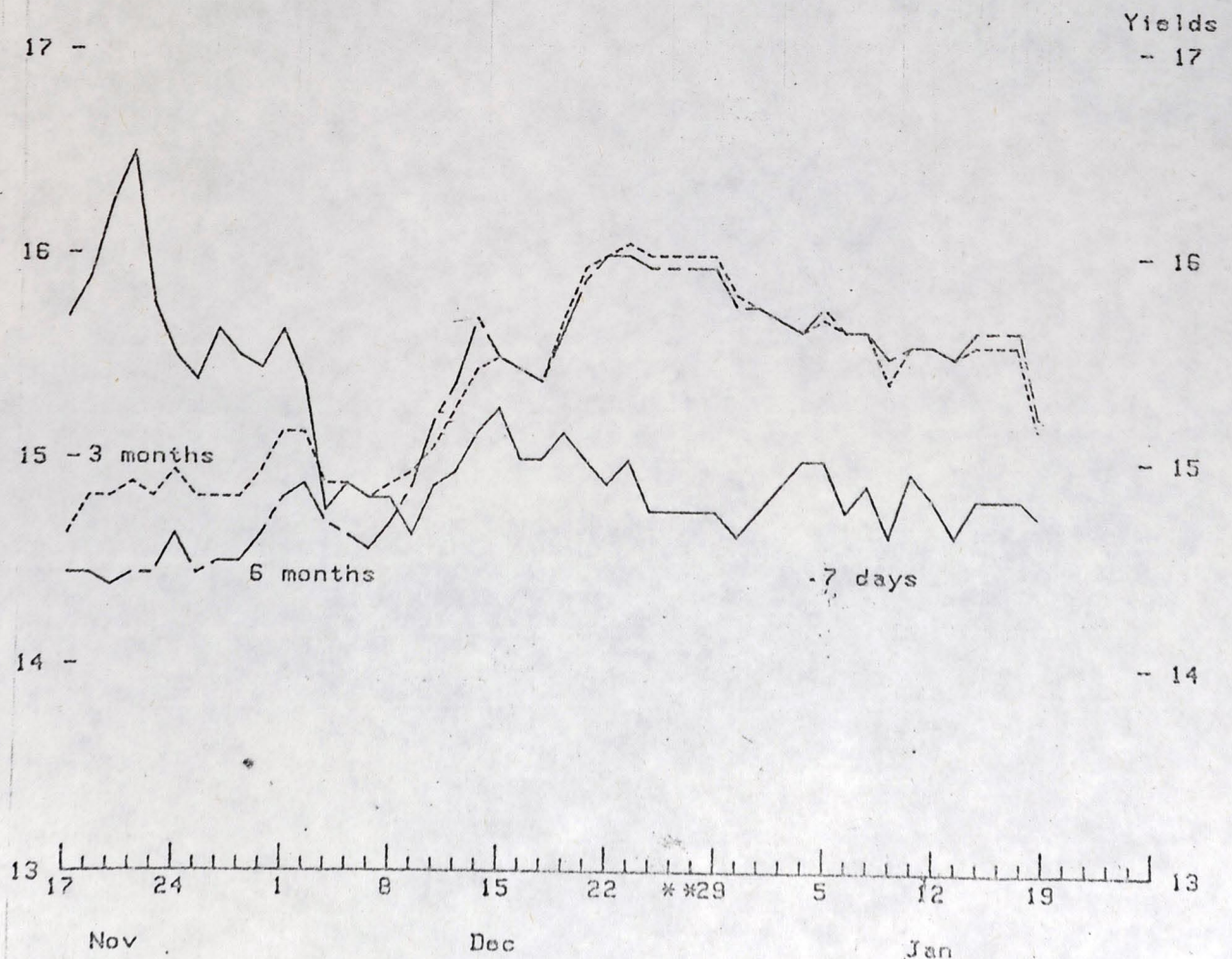
|                              | <u>12 January</u> | <u>19 January</u> | Change |
|------------------------------|-------------------|-------------------|--------|
| 12% Treasury 1983            | 15.69             | 15.12             | -0.57  |
| 15% Treasury 1985            | 16.28             | 15.53             | -0.75  |
| 12% Treasury 1987            | 16.61             | 15.93             | -0.68  |
| 11 3/4% Treasury 1991        | 16.49             | 15.98             | -0.51  |
| 13 1/2% Treasury 1994        | 16.53             | 16.02             | -0.51  |
| 2% Index-Linked              |                   |                   |        |
| Treasury 1996                | 3.28              | 3.12              | -0.16  |
| 12 1/4% Exchequer 1999       | 16.08             | 15.53             | -0.55  |
| 14% Treasury 1998/01         | 16.22             | 15.73             | -0.49  |
| 12% Exchequer 2013/17        | 15.00             | 14.54             | -0.46  |
| 3 1/2% War Loan (Flat Yield) | 13.49             | 13.14             | -0.35  |



Gilt edged yields [F.T. High coupon]



Interbank rates





## NEW ISSUES

|                                      | Equities   | Convertible<br>loan stock | Other loan stock*                                  |                                       |
|--------------------------------------|--|---------------------------|--|---------------------------------------|
|                                      |  |                           | Domestic borrowers                                 | Foreign borrowers                     |
| TOTAL QUEUE <sup>o</sup>             | 649  | =                         | 112  | 150                                   |
| Of which<br>issues of 10<br>or more: |  |                           |  |                                       |
| Current week<br>(20/1-22/1)          |  |                           |  |                                       |
| Week 2<br>(25/1-29/1)                | Clyde Petroleum PLC<br>(rights)<br>(26/1) 25<br>Davy Corp Ltd<br>(rights)<br>(26/1) 30   |                           |  |                                       |
| Week 3<br>(1/2-5/2)                  |  |                           | Barclays Bank Ltd<br>(offer for sale)<br>(3/2) 100 |                                       |
| Week 4<br>(8/2-12/2)                 | Hunting Petroleum<br>Services plc<br>(rights)<br>(9/2) 13<br>Amersham<br>International<br>(offer for sale by<br>Atomic Energy<br>Authority)<br>(11/2) 50 |                           |  |                                       |
| Week 5<br>(15/2-19/2)                | Lloyds Bank Ltd<br>(rights)<br>(19/2) 100  |                           |  |                                       |
| Week 6<br>(22/2-26/2)                |  |                           |  | Trans-Canada<br>Pipeline<br>(22/2) 50 |
| Week 7<br>(1/3-5/3)                  | The Throgmorton<br>Finsbury Trust PLC<br>(offer for sale)<br>(1/3) 13<br>Ultramar Company Ltd<br>(rights)<br>(3/3) 100                                   |                           |  | EIB<br>(offer for sale)<br>(8/3?) 100 |



SECRET

Forthcoming

|  |    |
|--|----|
| 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 |
| Drayton Montagu Japan Trust (offer for sale) (23/3)        | 15 |
| Vickers Ltd (rights) (24/3)                                | 35 |
| Burnett & Hallamshire Holdings Ltd (rights) (13/4)         | 20 |
| 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 |



