

NOTE FOR WEDNESDAY MEETING

MARKETS: 3 FEBRUARY TO 9 FEBRUARY 1982

MONEY

Conditions in the money market were again tight, the main contributing factor being the unwinding of previous assistance by the Bank. The Exchequer position was as a whole favourable but it went against the market on Friday and this, together with a large increase in the note circulation and the maturing of bills in official hands, resulted in a substantial shortage that day.

The Bank gave assistance every day, purchasing Treasury, Local Authority and eligible bank bills.

Short term interbank rates eased slightly at the start of the week then recovered and steadied over the weekend. These rates again eased somewhat on Tuesday, the seven day rate closing $1/16\%$ down on the week at $14\ 3/8\%$. Longer rates too eased slightly at the start of the week and had steadied by the weekend. These rates tended firmer thereafter, perhaps in response to fears of higher US rates. The three-month rate finished $1/8\%$ up on the week at $14\ 11/16\%$.

Eurosterling rates firmed slightly at the start of the week but eased back by the weekend and tended steady thereafter, the three-month rate closing at $14\ 11/16\%$.

At the Treasury bill tender on Friday the average rate of discount rose marginally to 13.5681%.

LOCAL AUTHORITY BORROWING

The rate for one year bonds was unchanged at $14\ 5/8\%$. Issues amounted to £10.15 mn (£14 mn last week) against maturities of £13.4 mn.

GILTS

The market remained quietly firm prior to the weekend but has been somewhat softer since in the face of doubts about the US Budget and UK money figures.

The market opened firm on Wednesday as investors took heart from Tuesday's recovery in the US bond market, easier money market rates and the stability of sterling. However trading was relatively thin and with US bonds opening weaker, prices eased back to close with gains from Tuesday's official close of 1/4 in shorts and up to 7/8 in longs. On Thursday the market opened around 1/4 lower but with sterling firm and money market rates unaltered, sentiment improved and prices closed slightly higher on balance. The announcement of encouraging PSBR figures helped sentiment on Friday morning but with US bonds coming easier in the afternoon prices faltered closing 1/8 up in shorts and about 3/8-1/2 in longs.

The market opened slightly easier on Monday reflecting concern about the implications of the US Budget deficit for interest rates and business remained quiet ahead of the opening of the US market. With the US market sharply lower, longs had lost up to a point and shorts up to 1/4 at the official close although the announcement of the £750 mn tranche of 13 1/4% Exchequer 1987 priced to yield 15.22% to redemption and issued direct to the Bank was well received and prices recovered somewhat in after-hours trading. Trading yesterday was notably thin ahead of the announcement of the January banking figures. The indicated growth in EM_3 was rather worse than had been expected, and although the CGBR figures were encouraging all sections of the market closed around 3/8 down on Monday's official close.

Over the week as a whole, prices of shorts rose by around 3/16 (to yield around 15 1/2-15 3/4% for five year maturities) while longs rose by 1/4-3/8 (to yield around 15-15 3/8% for 20 year maturities).

EQUITIES

The market declined after the weekend in the face of the same adverse influences as gilts.

The market opened firm on Wednesday and the FT Index rose 7.0 during the day on hopes that the recent rise in US rates would be short lived. However, prices drifted lower on Thursday following the overnight decline on Wall Street. The collapse of Laker on Friday had little impact and the FT Index closed 3.3 up. On the first day of trading the Barclays 16% ULS 2002/7 went to a 2 1/4 premium but later fell back to offer the 1.1% margin over the comparable gilt yield implied by the original issue price. The FT Index moved 7.4 lower on Monday, with market sentiment adversely affected by the US Budget deficit and by caution ahead of the January banking figures. Following the announcement on Tuesday the market closed around its lowest level with the index down a further 7.5 at 563.2 to show a fall of 7.8 over the week.

NEW ISSUES

Queue

Three new issues of £10 mn or more were added to the queue this week and included a £70 mn rights issue for the Hammerson Property and Investment Trust Limited and a £20 mn rights issue for Queens Moat Houses Ltd (an hotel group). However, following the announcement of the Barclays stock issue the total of the queue has increased only marginally to £934 mn against £927 mn last week.

Eurosterling

A eurosterling issue of £25 mn for Reed International Ltd was announced yesterday evening. The coupon is 16 3/4% for a 7 year maturity.

Init EAJG

10 February 1982

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases -)

1. Transactions (cash value)

	2. 2.82 <u>- 9. 2.82</u>	<u>Cal Qtr to date</u>	<u>Fin Year to date</u>	<u>18.2.81 to date</u>
Issue Department				
Purchases/sales				
Next Maturities	- 71	- 249	- 2,463	- 2,883
Other short-dated	<u>-</u>	<u>+ 692</u>	<u>+ 2,940</u>	<u>+ 3,431</u>
	- 71	+ 443	+ 477	+ 548
Mediums	+ 4	+ 343	+ 2,762	+ 3,495
Longs and undated	<u>- 19</u>	<u>+ 82</u>	<u>+ 3,330</u>	<u>+ 4,369</u>
Total Issue				
Department trans- actions	- 86	+ 868	+ 6,569	+ 8,412
CRND	+ 10	+ 233	+ 510	+ 560
Redemptions	<u>- 2</u>	<u>- 245</u>	<u>- 1,473</u>	<u>- 1,568</u>
	<u>- 78</u>	<u>+ 856</u>	<u>+ 5,606</u>	<u>+ 7,404</u>

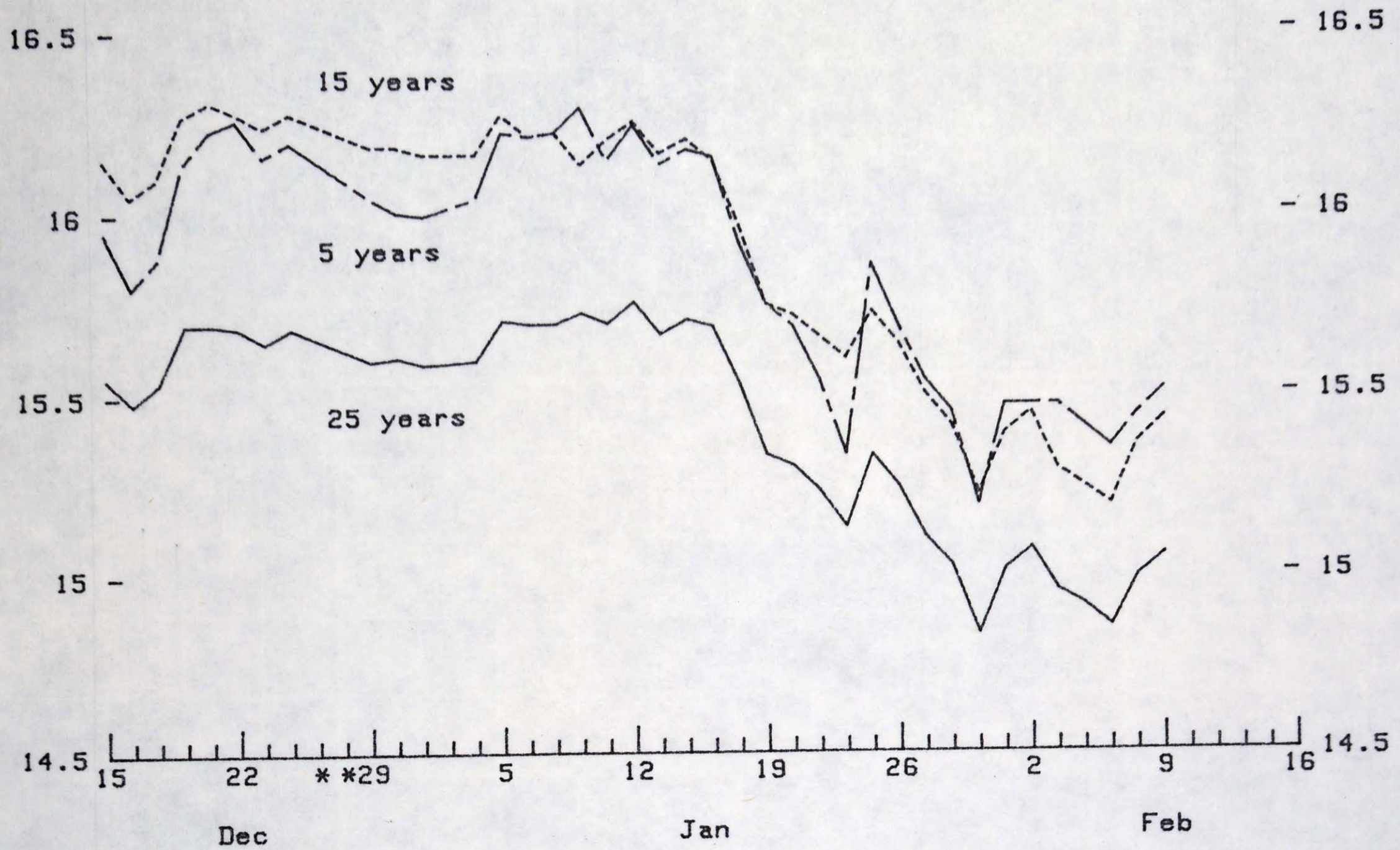
2. Redemption Yields (tax ignored)

		<u>2 February</u>	<u>9 February</u>	<u>Change</u>
12%	Treasury 1983	15.04	14.34	-0.70
15%	Treasury 1985	15.21	15.12	-0.09
12%	Treasury 1987	15.79	15.75	-0.04
11 3/4%	Treasury 1991	15.70	15.69	-0.01
13 1/2%	Treasury 1994	15.69	15.66	-0.03
2%	Index-Linked			
	Treasury 1996	3.25	3.28	+0.03
12 1/4%	Exchequer 1999	15.23	15.23	-
14%	Treasury 1998/01	15.40	15.38	-0.02
12%	Exchequer 2013/17	14.25	14.25	-
3 1/2%	War Loan (Flat Yield)	13.02	12.93	-0.09

Gilt edged yields [F.T. High coupon]

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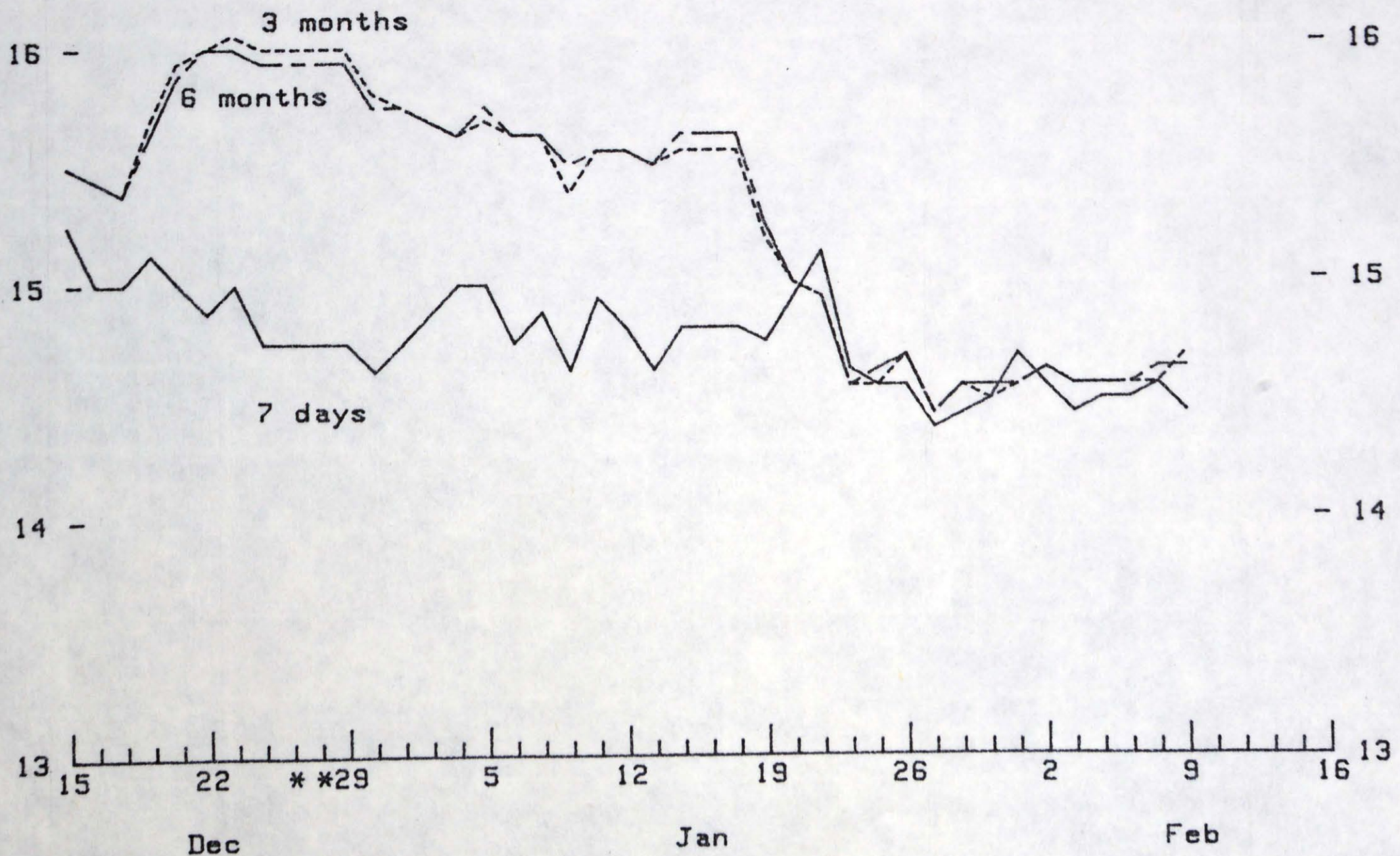
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Interbank rates

17 -

Yields
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* Bank Holiday

NEW ISSUES

	Equities	Convertible loan stock	Other loan stock*	
			Domestic borrowers	Foreign borrowers
TOTAL QUEUE ^Ø	<u>765</u>	=	<u>19</u>	<u>150</u>
Of which issues of 10 or more:				
Current week (10/2-12/2)	Amersham International (offer for sale by Atomic Energy Authority) (11/2) 50			
Week 2 (15/2-19/2)				
Week 3 (22/2-26/2)				Trans-Canada Pipeline (22/2) 50
Week 4 (1/3-5/3)	The Throgmorton Finsbury Trust PLC (offer for sale) (1/3) 13 Ultramar Company Ltd (rights) (3/3) 100			
Week 5 (8/3-12/3)	The Bowater Corporation Ltd (rights) (10/3) 80			
Week 6 (15/3-19/3)	Cement-Roadstone Holdings Ltd (rights) (15/3) 30 Norsk Data AS** (offer for sale) (17/3) 10			EIB (offer for sale) (late March) 100
Week 7 (22/3-26/3)	<u>Queens Moat Houses Ltd (rights)</u> (22/3) 20 Drayton Montagu Japan Trust (offer for sale) (23/3) 15 Vickers Ltd (rights) (24/3) 35			

SECRET

Forthcoming

Burnett & Hallamshire Holdings Ltd (rights) (31/3)	20
<u>The Hammerson Property & Investment Trust Ltd (rights) (6/4)</u>	70
Coloroll Ltd (offer for sale) (14/4)	15
<u>Carless Capel & Leonard Ltd (rights) (21/4)</u>	15
British Transport Docks Board (offer for sale) (24/5-4/6?)	50
Gas & Oil Acreage Ltd (rights) (9/6)	13
Powell Duffryn Ltd (rights) (23/6)	20
Superdrug Stores Ltd (offer for sale) (9/7)	10
Dowty Group Ltd (rights) (20/7)	50
Lloyds Bank Ltd (rights) (27/7)	100

Memorandum

		<u>Equities</u>	<u>Loan Stock*</u>
Issues announced: [†]	1979	946	162
	1980	1,066	364
	1981	1,835	626
	1982 to date	140	3
Issues completed: [‡] (ie gross amounts of cash raised)	1979	979	150
	1980	945	358
	1981	1,720	561
	1982 to date	57	1

*Includes preference shares

∅Includes issues of 3 or more

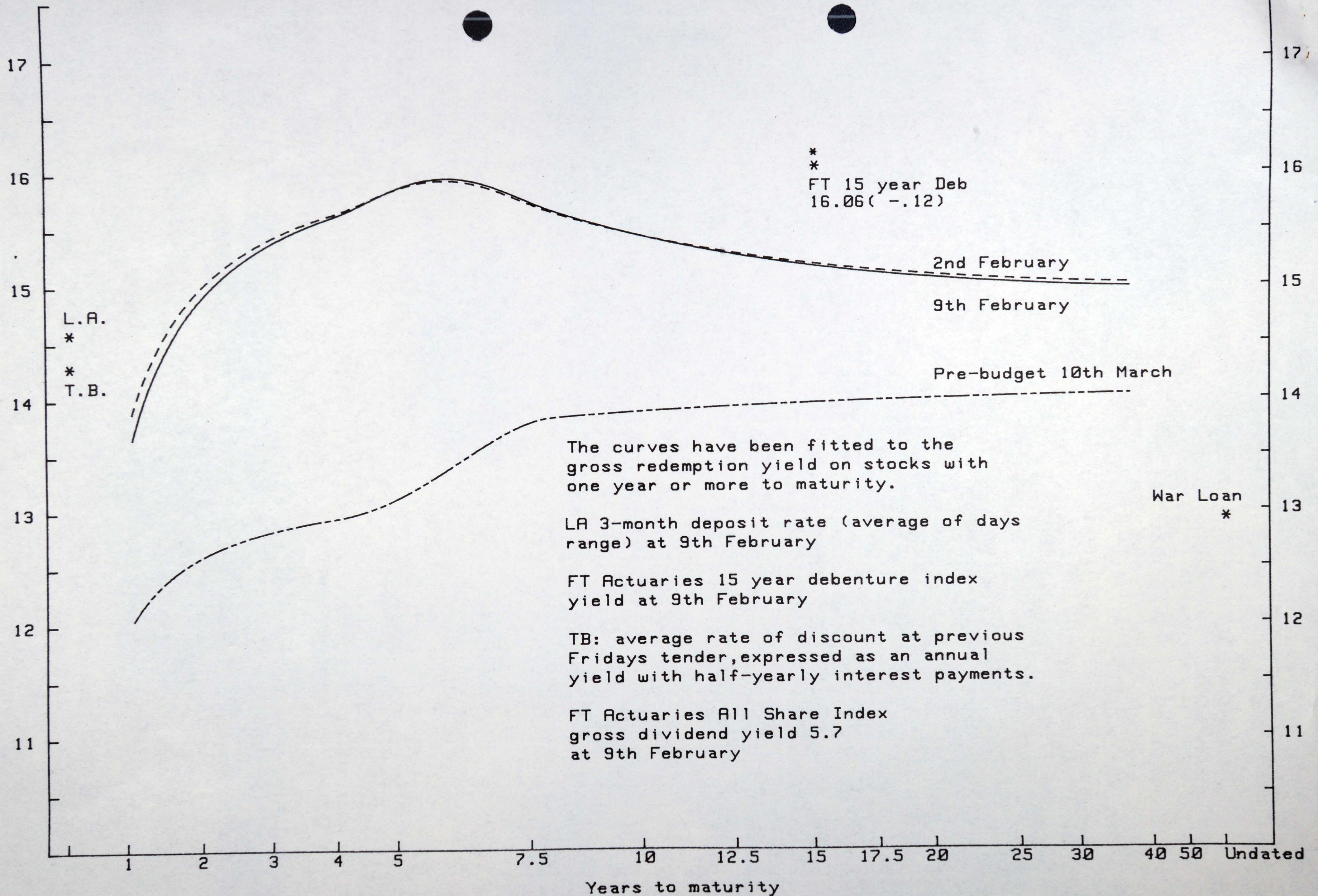
∕Includes issues of less than 3

**Foreign borrower

10 February 1982

Per cent Time / Yield Curves of British Government Stocks

10th February 1982



The curves have been fitted to the gross redemption yield on stocks with one year or more to maturity.

LA 3-month deposit rate (average of days range) at 9th February

FT Actuaries 15 year debenture index yield at 9th February

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 5.7 at 9th February

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*
FT 15 year Deb
16.06 (-.12)

2nd February
9th February
Pre-budget 10th March

War Loan
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L.A.
*
*
T.B.

Years to maturity