

Wed Books

NOTE FOR WEDNESDAY MEETING

MARKETS: 24 FEBRUARY-2 MARCH 1982

MONEY

Conditions were again tight in the money markets this week. On Thursday unallotted Amersham application monies amounting to £1.5bn were refunded. A shortage nevertheless emerged that day because this injection of funds was more than offset by the unwinding of earlier assistance by the Bank. Bills maturing in official bands drained large amounts of cash from the market over most of the week. In addition the payment of Petroleum Revenue Tax to the Exchequer on Monday and Tuesday contributed to the extremely large shortages on those days.

On Wednesday the Bank purchased bills for resale to the market the following day. On every other day bills were purchased outright with the addition on Tuesday - in the face of a £1,150 mn shortage - of sizeable purchases of bills on a resale basis.

Interbank rates began the week on an easy note and on Wednesday the clearing banks (led by Barclays) announced reductions in their base rates to 13 1/2% from 14%. However, nervousness about sterling and tight money conditions halted much further decline in interbank rates. These rates firmed slightly on Friday and Monday, although long term rates were steady after the weekend. Rates eased on Tuesday with larger falls occurring at the longer maturities, perhaps encouraged by the previous day's reductions in the Bank's dealing rates in the longer bands. The seven day interbank rate closed 1/8% up on the week at 14 1/2% while the three month rate finished 5/16% down at 13 11/16%.

Eurosterling rates were easy in the early part of the week but had steadied by the weekend. Having firmed slightly on Monday these rates eased once again at the end of the week in sympathy with domestic rates. The three month rate finished at 13 15/16%.

At the Treasury bill tender on Friday the average rate of discount fell 0.3311 to 13.2862%.

LOCAL AUTHORITY BORROWING

The rate for one year bonds fell by $1/4\%$ to $13\ 3/4\%$. Issues amounted to £16.35mn (£11.75mn last week) against maturities of £11.6mn.

GILTS

After some bouts of profit taking in thin trading conditions last week, renewed and sustained interest rate optimism brought a return of firmer conditions after the weekend, although the volume of business has remained fairly small.

Last Wednesday the market was still digesting the heavy official sales of the beginning of that week and despite the cut in base rates the influence of short term profit takers predominated and longs closed around $3/4$ lower and shorts about $3/8$ lower.

On Thursday, against a background of favourable US influences, a further reduction in our bill dealing rates and a steadier pound, the market resumed its advance and the losses of the previous day were more than recovered. However, on Friday, the re-emergence of profit takers set the market back although the news of a reduced Treasury Bill tender rate introduced a steadier note later in the day. Longs closed around $3/4$ lower and shorts around $1/4$ lower.

After the weekend, although business was on a modest scale, further reductions in our bill dealing rates sustained early interest rate optimism despite a rise in the US money supply and at the close longs were around 1 point better and shorts about $1/2$ better.

Yesterday the firm tone was continued with US bonds better overnight and the optimistic tone brought steady rises over the day with mediums and longs closing about 1 point up and shorts about $3/8$ higher.

Over the week as a whole prices of shorts rose by around $1/2$ (to yield $14\ 1/2\%$ on five year maturities) and those on mediums and longs by up to $1\ 1/4$ (to yield $14\ 1/4\%$ - $14\ 3/8\%$ on 20 year maturities).

EQUITIES

Depressed conditions prevailed last Wednesday with significant selling following the Prime Minister's warning of the limited scope for reflation in the Budget, and the FT index fell 6.4 points on the day. Thursday saw the announcement of ICI's results and the first trading of the Amersham International issue. ICI's results showed a 18% increase in annual pre-tax profits which, together with an increased dividend, initially pleased the market. However a gloomy statement by the Chairman regarding current prospects left the market somewhat nervous.

Amersham shares opened at 190p and by the close had settled at 188p (a premium of 46p on the issue price). On Friday they moved to 194p but the remainder of the equities market ended the account on a depressed note.

After the weekend the new account opened quietly but with a firmer undertone than of late. Barclays results, however, showing an 8.2% rise in profits, failed to satisfy the market's more optimistic expectations.

Yesterday the firmer conditions continued with advances in all sectors resulting in a 7 point rise in the FT index to 557.8, a rise of 5.2 points over the week as a whole.

NEW ISSUES

Queue

Only one new issue of £10mn or more was added to the queue this week. Several large issues dropped out for reasons particular to the companies concerned rather than any general market reason. As a result, the total queue now stands at £791mn against £1,003mn last week.

Init EAJG

3 March 1982

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases -)

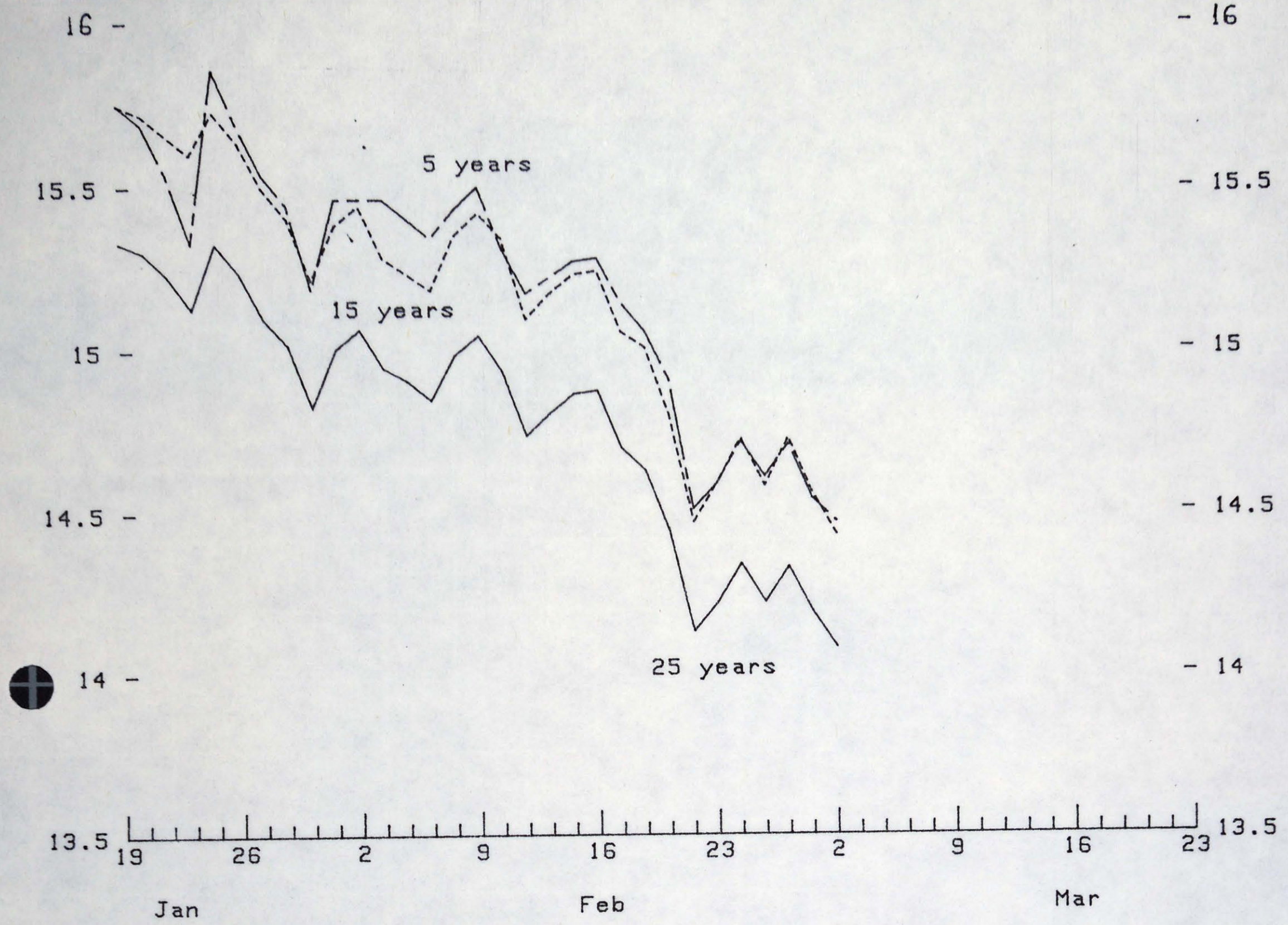
1. Transactions (cash value)

	24. 2.82 <u>- 2. 3.82</u>	Cal Qtr to date	Fin Year to date	18.2.81 to date
Issue Department				
Purchases/sales		- 252	- 2,467	- 2,887
Next Maturities	-	+	+	+
Other short-dated	+ 29	+ 814	+ 3,062	+ 3,563
	+ 29	+ 562	+ 595	+ 666
Mediums	+ 9	+ 593	+ 3,013	+ 3,747
Longs and undated	+ 26	+ 119	+ 3,367	+ 4,406
Total Issue				
Department trans- actions	+ 64	+ 1,274	+ 6,975	+ 8,819
CRND	+ 14	+ 317	+ 593	+ 643
Redemptions	- 15	- 498	- 1,726	- 1,821
	<u>+</u> 63	<u>+</u> 1,093	<u>+</u> 5,842	<u>+</u> 7,641

2. Redemption Yields (tax ignored)

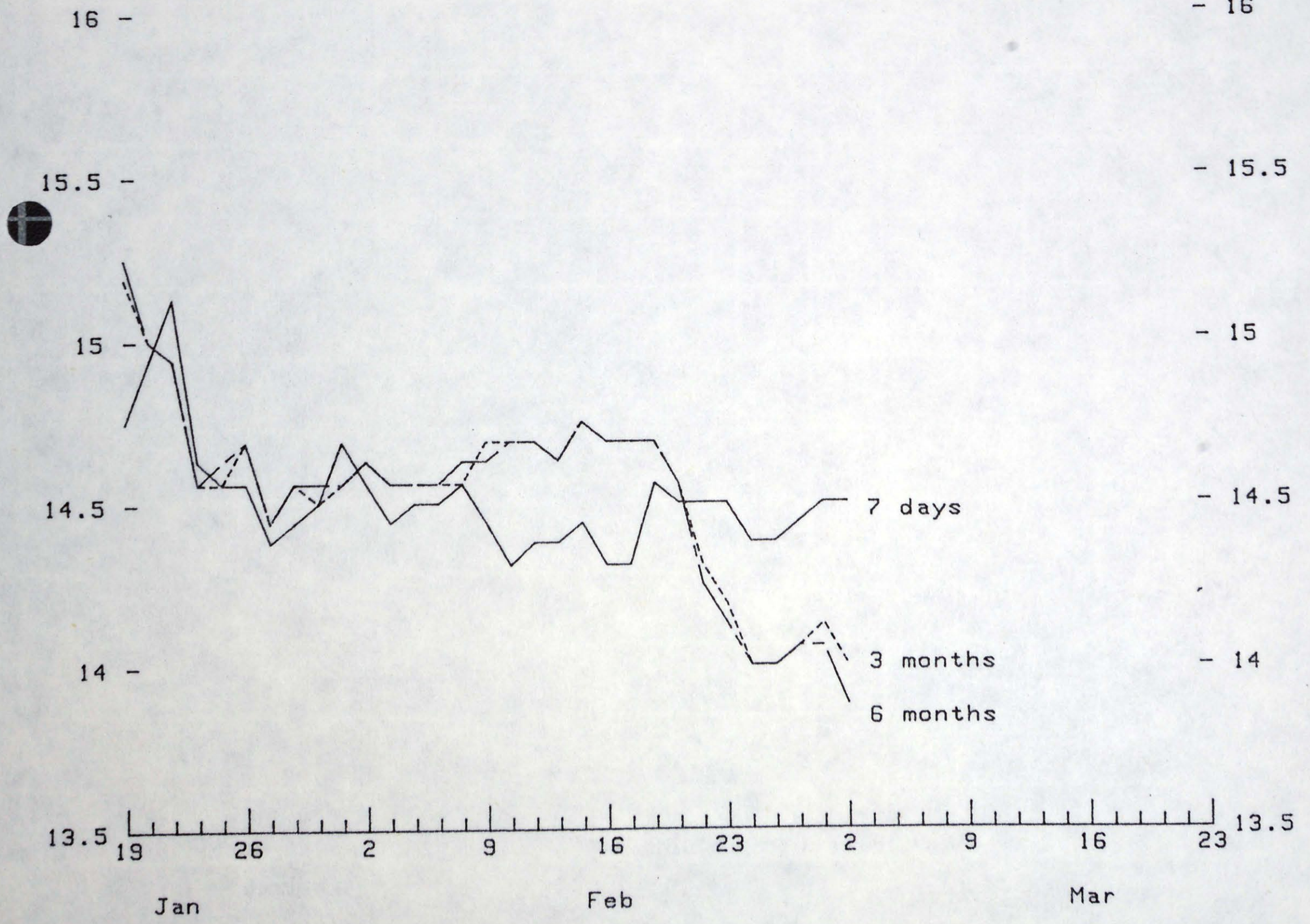
	23 February	2 March	Change
12% Treasury 1983	13.60	13.48	-0.12
15% Treasury 1985	14.17	13.95	-0.22
12% Treasury 1987	14.88	14.59	-0.29
11 3/4% Treasury 1991	14.77	14.62	-0.15
13 1/2% Treasury 1994	14.83	14.62	-0.19
2% Index-Linked			
Treasury 1996	3.30	3.27	-0.03
12 1/4% Exchequer 1999	14.35	14.22	-0.13
14% Treasury 1998/01	14.56	14.41	-0.15
12% Exchequer 2013/17	13.48	13.38	-0.10
3 1/2% War Loan (Flat Yield)	12.42	12.23	-0.19

Gilt edged yields [F.T. High coupon]



Interbank rates

Yields
- 16



SECRET

£ millions

NEW ISSUES

	Equities	Convertible loan stock	Other loan stock*	
			Domestic borrowers	Foreign borrowers
TOTAL QUEUE ^φ	<u>677</u>	<u>=</u>	<u>14</u>	<u>100</u>
Of which issues of 10 or more:				
Current week (3/3-5/3)				
Week 2 (8/3-12/3)				
Week 3 (15/3-19/3)	Norsk Data AS* (offer for sale) (17/3) 10			
Week 4 (22/3-26/3)	Queens Moat Houses Ltd (rights) (22/3) 20 Vickers Ltd (rights) (24/3) 35 American Oil Field Systems (offer for sale?) (25/3) 12			
Week 5 (29/3-2/4)	Redland Ltd (rights) (30/3) 40 Burnett & Hallamshire Holdings Ltd (rights) (31/3) 20			
Week 6 (5/4-8/4)	The Hammerson Property & Investment Trust Ltd (rights) (6/4) 70			
Week 7 (13/4-16/4)	Coloroll Ltd (offer for sale) (14/4) 15			

SECRET

Forthcoming			The South Staffordshire Waterworks Co. (offer for sale) (14/7) 10	EIB (offer for sale) (late April) 100
	Carless Capel & Leonard Ltd (21/4) 15			
	Argyll Foods Ltd (offer for sale?) (6/5) 80			
	Marinex Petroleum (rights) (18/5) 15			
	BSR Ltd (rights) (19/5) 20			
	Hill Samuel Group Ltd (rights) (10/6) 15			
	Powell Duffryn Ltd (rights) (23/6) 20			
	Aberdeen American Petroleum Co Ltd (offer for sale) (24/6) 20			
	British Transport Docks Board (offer for sale) (28/6-7/7?) 50			
	Gas & Oil Acreage Ltd (rights) (8/7) 12			
	Superdrug Stores Ltd (offer for sale) (9/7) 10			
	Dowty Group Ltd (rights) (20/7) 50			
	<u>Anglian Windows Ltd</u> (rights) <u>(22/7) 10</u>			
	Lloyds Bank Ltd (rights) (27/7) 100			

Memorandum

		<u>Equities</u>	<u>Loan Stock*</u>
Issues announced: ^z	1979	946	162
	1980	1,066	364
	1981	1,835	626
	1982 to date	167	141
Issues completed: ^z (ie gross amounts of cash raised)	1979	979	150
	1980	945	358
	1981	1,720	561
	1982 to date	168	30

*Includes preference shares
 ∅Includes issues of 3 or more
 /Includes issues of less than 3
 **Foreign borrower

3 March 1982

Per cent Time / Yield Curves of British Government Stocks

3rd March 1982

