

NOTE FOR WEDNESDAY MEETING

MARKETS: 3 MARCH TO 9 MARCH 1982

MONEY

Conditions were again tight in the money markets this week and Tuesday saw a shortage of over £1 bn as repurchase agreements undertaken to cope with last week's PRT payments unwound. In the rest of the week bills maturing in official hands were most frequently the main adverse factor although the call on 13 1/4% Exchequer 1987 'A' also contributed on Monday. The Exchequer position contributed to the shortage on Friday but acted greatly in the market's favour on Monday. Movements in the note circulation also followed this pattern in the days around the weekend.

The Bank provided assistance to the market every day. On the first three days bills were bought outright but most funds were provided by buying bills on a repurchase basis. After the weekend, assistance took the form of direct lending to the discount market in addition to outright purchases of bills and repurchase agreements.

Period interbank rates continued to ease over the week with the sharpest falls occurring early on Monday in reaction to Friday's announcement of a large reduction in US money supply. Tuesday saw a slight firming ahead of the Budget but rates eased back later in the day. The three month rate fell 7/16 over the week, closing at 13 5/16%. Short rates also showed some easing over the week but their falls were more modest as these rates were influenced also by the continuing daily shortages. The seven day rate closed at 14 1/4%, a fall of 1/8 over the week as a whole.

Eurosterling rates eased over the week with the greatest falls occurring in the latter half. The three month rate ended at 13 1/4%, about 11/16 down over the week.

At the Treasury bill tender on Friday the average rate of discount fell sharply, by 0.7890, to 12.4972%.

LOCAL AUTHORITY BORROWING

The rate for one year bonds fell by $1/2\%$ to $13\ 1/4\%$. Issues amounted to £14.55 mn (£16.35 mn last week) against maturities of £15.8 mn.

GILTS

Interest rate optimism enabled the market to continue its recent strong advance for the first four days of the period. But yesterday saw a sharp reversal following the overnight fall in US bonds and ahead of the Budget. One feature of the week was the steady demand for the recently issued IG3.

The market was very quiet on Wednesday and prices ended the day showing mixed changes. A further small amount of IG3 was sold at a price of 36 (35-paid). After this lull, renewed interest rate optimism caused the market to advance strongly again on Thursday: shorts finished up to $1/2$ better with longs $3/4 - 1$ higher. Continued switching into IG3 enabled some more of the stock to be sold (again at 36). Demand was sustained on Friday, though prices ended off the best. The FT Government Securities Index closed at 68.36, its highest since 1 May of last year. Further quantities of IG3 were supplied (including a small amount at $36\ 1/4$).

After the weekend, the market opened very firm on Monday following the good US money figures. Some profit-taking developed in the afternoon as US bonds came in easier and, despite the cut in some US prime rates to 16%, prices ended below the best levels, though retaining gains of $1/2 - 3/4$. More of IG3 was sold at $36\ 1/4$.

Yesterday, the market was easier following the overnight fall in US bonds and ahead of the Budget speech, although shorts recovered lost ground after the publication of the February banking figures which indicated no growth in £M3 during the month. The Budget speech contained the announcement of derestriction of the existing indexed stocks and the announcement of a new unrestricted issue, 2% Index-Linked Treasury 1988, for tender on 19 March.

Over the week as a whole, prices of shorts rose by about $1 \frac{1}{8}$ - $1 \frac{3}{8}$ (to yield $14 - 14 \frac{1}{4}\%$ on five-year maturities) while those on longs rose by about $\frac{3}{4}$ (to yield $14 - 14 \frac{1}{4}\%$ on 20-year maturities).

EQUITIES

The market was held back by the weakness of US equities and managed only a small net gain over the week.

A cautious mood prevailed on Wednesday, partly reflecting Wall Street's early weakness. The US market continued to exercise a restraining influence on Thursday and again on Friday, though the FT 30-Share Index managed modest gains on both days.

After the weekend, the market made further sluggish progress on Monday, but opened easier yesterday following the renewed decline on Wall Street which had taken the Dow Jones Index below the 800 barrier to its lowest level for over 22 months. Prices continued to move lower ahead of the Budget, but initial reaction to the speech was favourable and the 30-Share Index regained 5 points in late trading to close only 3.3 lower at 560.8, a rise of 3.0 over the week as a whole. The more broadly based 500-Share Index ended at 342.53 (a rise of 2.48 over the week).

NEW ISSUES

Queue

A number of substantial issues were added to the queue this week. Among new rights issues, Grand Metropolitan is to raise £100 mn, while Ultramar, which cancelled an issue of the same size last week, has now returned to the queue. Midland Bank is to follow Barclays with an issue of £100 mn of loan stock. In the bulldog market, the IBRD and Credit Foncier are planning issues of £100 mn and £50 mn respectively. The queue now totals £1,286 mn against £791 mn last week.

A 10 year Eurosterling issue of £30 mn is to be made by SDR, the French State agency. The issue will be priced today.

(init EAJG)
10 March 1982

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases -)

1. Transactions (cash value)

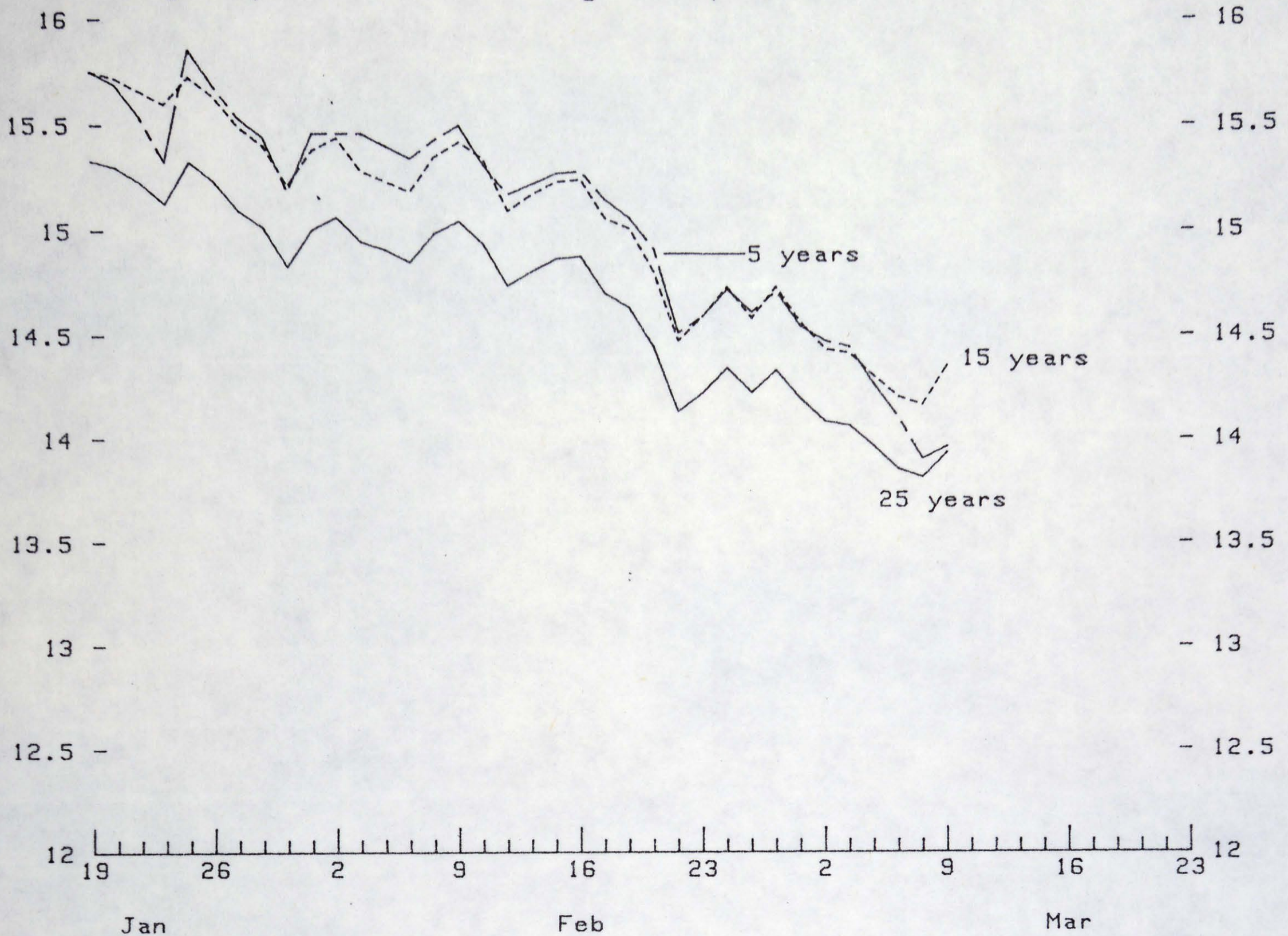
	3. 3.82 <u>- 9. 3.82</u>	Cal Qtr <u>to date</u>	Fin Year <u>to date</u>	18.2.81 <u>to date</u>
Issue Department				
Purchases/sales				
Next Maturities	-	- 252	- 2,467	- 2,887
Other short-dated	+ 256*	+ 1,070	+ 3,318	+ 3,819
	+ 256	+ 818	+ 851	+ 922
Mediums	+ 4	+ 598	+ 3,017	+ 3,751
Longs and undated	+ 42	+ 161	+ 3,410	+ 4,448
Total Issue				
Department trans-				
actions	+ 302	+ 1,577	+ 7,278	+ 9,121
CRND	+ 33	+ 349	+ 626	+ 676
Redemptions	- 32 \emptyset	- 530	- 1,758	- 1,853
	+ 303	+ 1,396	+ 6,146	+ 7,944

* Includes 262 in respect of call on 13 1/4% Exchequer 1987 'A'
 \emptyset Includes 30 in respect of redemption of 3% Treasury 1982

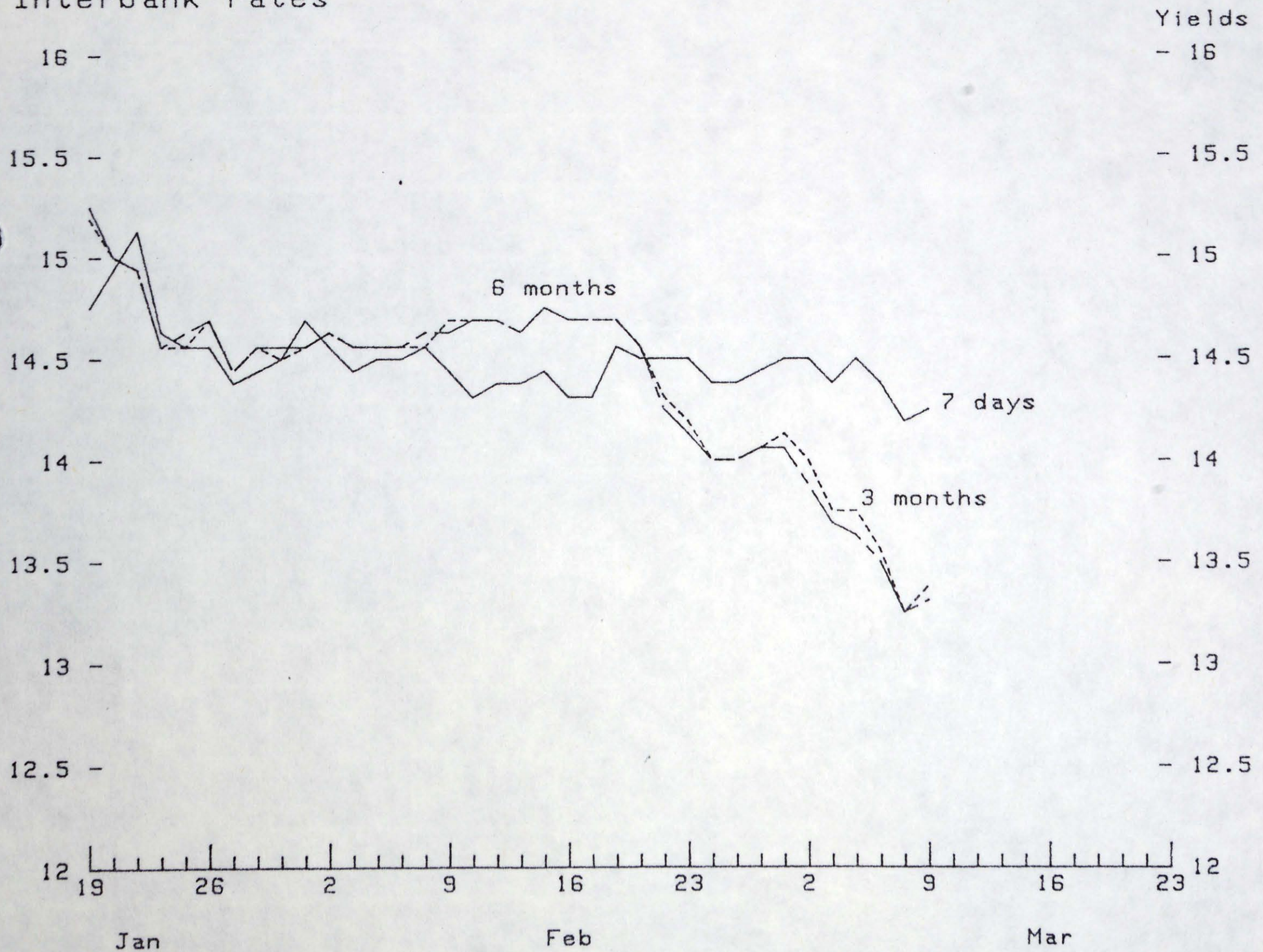
2. Redemption Yields (tax ignored)

	<u>2 March</u>	<u>9 March</u>	<u>Change</u>
12% Treasury 1983	13.48	13.02	-0.46
15% Treasury 1985	13.95	13.71	-0.24
12% Treasury 1987	14.59	14.28	-0.31
11 3/4% Treasury 1991	14.62	14.36	-0.26
13 1/2% Treasury 1994	14.62	14.46	-0.16
2% Index-Linked			
Treasury 1996	3.27	3.32	+0.05
12 1/4% Exchequer 1999	14.22	14.17	-0.05
14% Treasury 1998/01	14.41	14.33	-0.08
12% Exchequer 2013/17	13.38	13.29	-0.09
3 1/2% War Loan (Flat Yield)	12.23	12.16	-0.07

Gilt edged yields [F.T. High coupon]



Interbank rates



NEW ISSUESOther loan stock*

	<u>Equities</u>	<u>Convertible loan stock</u>	<u>Domestic borrowers</u>	<u>Foreign borrowers</u>
TOTAL QUEUE ⁵	<u>929</u>	<u>-</u>	<u>107</u>	<u>250</u>
Of which issues of 10 or more:				
Current week (10/3-12/3)				
Week 2 (15/3-19/3)	Norsk Data AS* (offer for sale) (17/3) 10			
Week 3 (20/3-26/3)	Queens Moat Houses Ltd (rights) (22/3) 20 Vickers Ltd (rights) (24/3) 35 American Oil Field Systems (offer for sale?) (25/3) 12			IBRD (22/3) 100
Week 4 (29/3-2/4)	Redland Ltd (rights) (30/3) 40 Burnett & Hallamshire Holdings Ltd (rights) (31/3) 20			Credit Foncier (placing) (30/3 or 31/3) 50
Week 5 (5/4-8/4)	The Hammerson Property & Investment Trust Ltd (rights) (6/4) 70			
Week 6 (13/4-16/4)	Coloroll Ltd (offer for sale) (14/4) 15			
Week 7 (19/4-23/4)	Carless Capel & Leonard Ltd (21/4) 15			EIB (offer for sale) (19/4) 100

SECRET

Forthcoming

Argyll Foods Ltd (offer for sale?) (6/5)	80
<u>Saatchi & Saatchi Company Ltd</u> (rights) (12/5)	25
Marinex Petroleum (rights) (18/5)	15
BSR Ltd (rights) (19/5)	20
<u>Grand Metropolitan Ltd (rights)</u> (25/5)	100
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
Anglian Windows Ltd (rights) (22/7)	10
Lloyds Bank Ltd (rights) (27/7)	100
<u>Ultramar plc</u> (rights) (12/8)	100
<u>The Caledonian Aviation Group plc</u> (placing) (6/9 or 15/9)	20

<u>Midland Bank</u> <u>plc (placing)</u> (27/4 or 28/4)	100
The South Staffordshire Waterworks Co. (Offer for sale) 14/7)	10

SECRET

Memorandum

		<u>Equities</u>	<u>Loan Stock*</u>
Issues announced: /	1979	946	162
	1980	1,066	364
	1981	1,835	626
	1982 to date	170	141
Issues completed: / (ie gross amounts of cash raised)	1979	979	150
	1980	945	358
	1981	1,720	561
	1982 to date	168	30

*Includes preference shares

ØIncludes issues of 3 or more

/Includes issues of less than 3

**Foreign borrower

10 March 1982

Per cent Time / Yield Curves of British Government Stocks

10th March 1982

