

## NOTE FOR WEDNESDAY MEETING

MARKETS: 17 MARCH TO 23 MARCH 1982

## MONEY

Sizeable daily market shortages continued this week but were usually more than accounted for by maturing bank bills and unwinding repurchase agreements. The Exchequer position was in the market's favour every day except Tuesday and the only other major impact on daily cash flows came from the movements in the note circulation around the weekend.

The Bank provided assistance every day by the outright purchase of Treasury, local authority and bank bills.

All interbank rates were easier on Wednesday as liquidity pressures were relieved by the Bank's ample assistance the previous day. Short rates continued to drift gently downwards before the weekend but longer rates steadied. Monday saw a slight firming in longer rates but on Tuesday a more optimistic tone developed and all rates moved downwards, encouraged principally by falls in eurodollar rates. The 3 month interbank rate closed at 13 1/2%, 1/8 down over the week as a whole.

Eurosterling rates showed little movement over most of the week although they joined the downward movement on Tuesday. The 3 month rate ended the week 3/16 down, at 13 1/2%.

The average rate of discount at the Treasury bill tender on Friday was marginally higher at 12.4831%.



## LOCAL AUTHORITY BORROWING

The rate for one year bonds was unchanged at 13 3/8%. Issues amounted to £17.85 mn (£11.35 last week) against maturities of £19.1 mn.

## GILTS

After an unsettled start, quietly firm conditions were established before the week end. Thereafter the market strengthened as interest rate optimism grew out of the improved inflation prospects and the strength of sterling.

Last Wednesday the market opened on an easy note brought about by concern over the overnight increase in US interest rates. However, later in the day as sterling hardened and US bond markets opened firmer, the market closed with prices above the worst levels.

Although conditions remained quiet on Thursday a firmer tone emerged as European interest rates were cut and longs closed with rises of up to 5/8% and shorts up 1/2, more than recovering the falls of the previous day. The quietly firm conditions were maintained on Friday with the market showing some disappointment of the reception of the new index-linked 1988 stock.

After the weekend, trading activity increased as interest rate optimism grew out of the improved inflation figures announced on Friday and longs closed up to 1 1/8 better. Yesterday the firm conditions continued as sterling retained its strength with longs up to 1 point better in brisk trading. At the close the FT Government securities index was 0.49 up at 69.55, a four day advance of 1.54 and an 11 month high.

Over the week as a whole, prices of shorts rose by up to 1 point (to yield around 13 3/4% on five year maturities) while those on longs rose by up to 2 1/2 points (to yield around 13 1/2-3/4% on 15-20 year maturities).



Prices of the indexed stocks declined steadily to register net falls of 2 7/8 (IG 1996) to 4 3/4 (IG 2011) over the week to give yields ranging from 2.66% on IG 2011 to 2.83% on IG 1996.

#### EQUITIES

The equities market began poorly but recovered in the wake of the gilt market.

Last Wednesday interest rate fears depressed sentiment and light selling brought fairly large reductions in some prices with the FT index closing 11 points lower but above the worst. More relaxed conditions were evident on Thursday and the market revived somewhat. The quietly firm tone was maintained on Friday and the market was heartened by the fall in the inflation rate.

After the weekend the market opened on a very quiet note and prices of leading shares drifted lower in a thin trade. Yesterday a firmer tone developed, partly a reflection of the continued strength of the gilts sector and the FT 30 shares index rose 6.2 on the day to 564.3, a rise of 1.9 points over the week as a whole. The more broadly based 500 share index registered a much better performance rising 6.06 points over the week to 348.61.

#### NEW ISSUES

##### Queue

With no new issues of £10 mn or more being added to the queue and with several announcements and cancellations, the total outstanding dropped to £1,195 mn. compared with £1,380 mn. last week.

Among this week's announcements was the second bulldog issue of £100 mn by the IBRD. The five-year stock is for subscription on 25 March and will be priced to give a yield 0.4% above that on 13 1/4% Exchequer Stock 1987 "A".

(Init EAJG)

24 March 1982



Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases - )

1. Transactions (cash value)

	17. 3.82 <u>-23. 3.82</u>	<u>Cal Qtr</u> <u>to date</u>	<u>Fin Year</u> <u>to date</u>	18.2.81 <u>to date</u>
Issue Department				
Purchases/sales				
Next Maturities	- 187	- 441	- 2,656	- 3,076
Other short-dated	<u>+ 27</u>	<u>+ 1,068</u>	<u>+ 3,317</u>	<u>+ 3,817</u>
	- 160	+ 627	+ 661	+ 741
Mediums	+ 262*	+ 842	+ 3,261	+ 3,996
Longs and undated	<u>+ 5</u>	<u>+ 390</u>	<u>+ 3,639</u>	<u>+ 4,676</u>
Total Issue				
Department trans-				
actions	+ 107	+ 1,859	+ 7,561	+ 9,413
CRND	- 1	+ 348	+ 624	+ 675
Redemptions	- 14	- 783	- 2,011	- 2,106
	<u>+</u>	<u>+</u>	<u>+</u>	<u>+</u>
	<u>92</u>	<u>1,424</u>	<u>6,174</u>	<u>7,982</u>

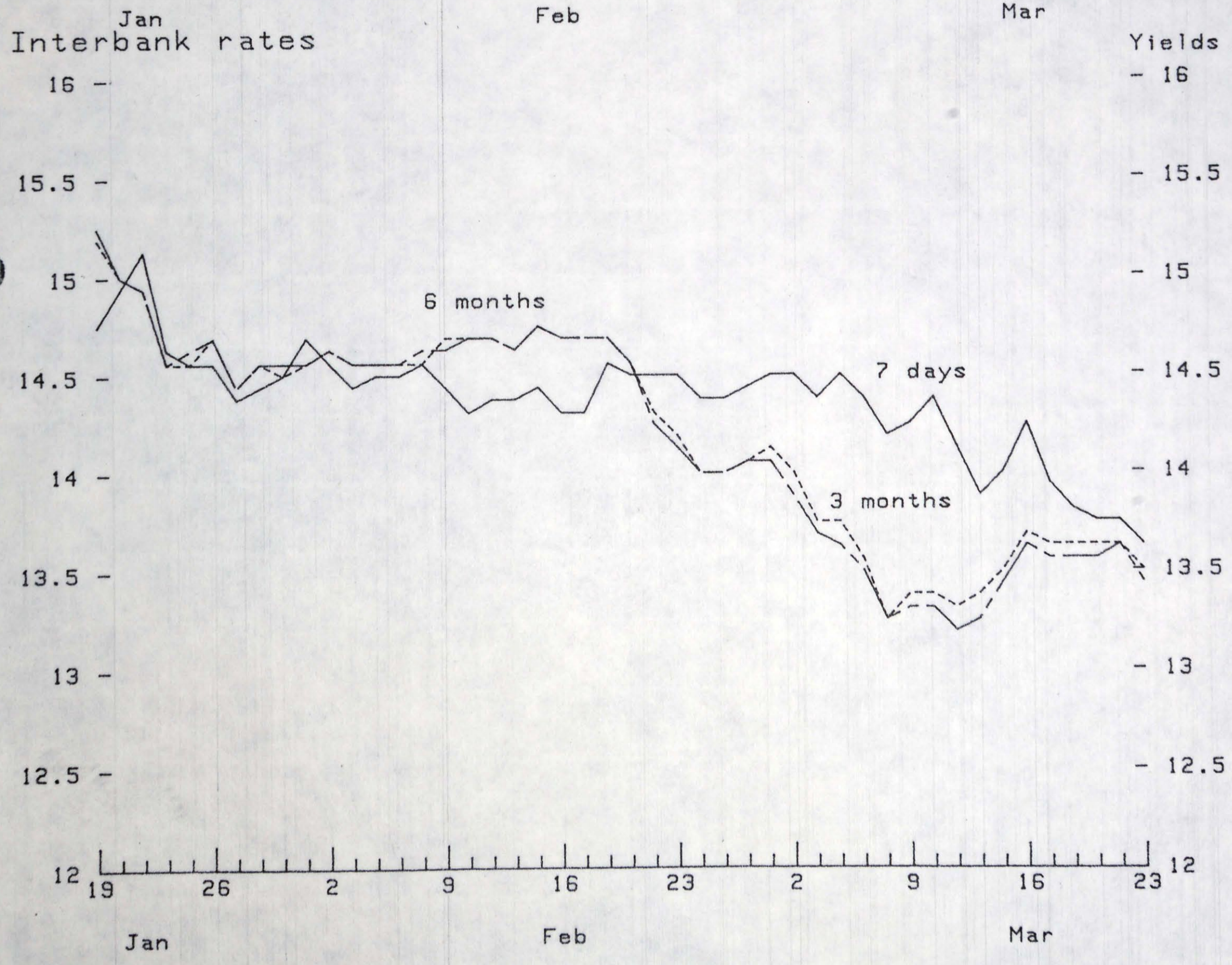
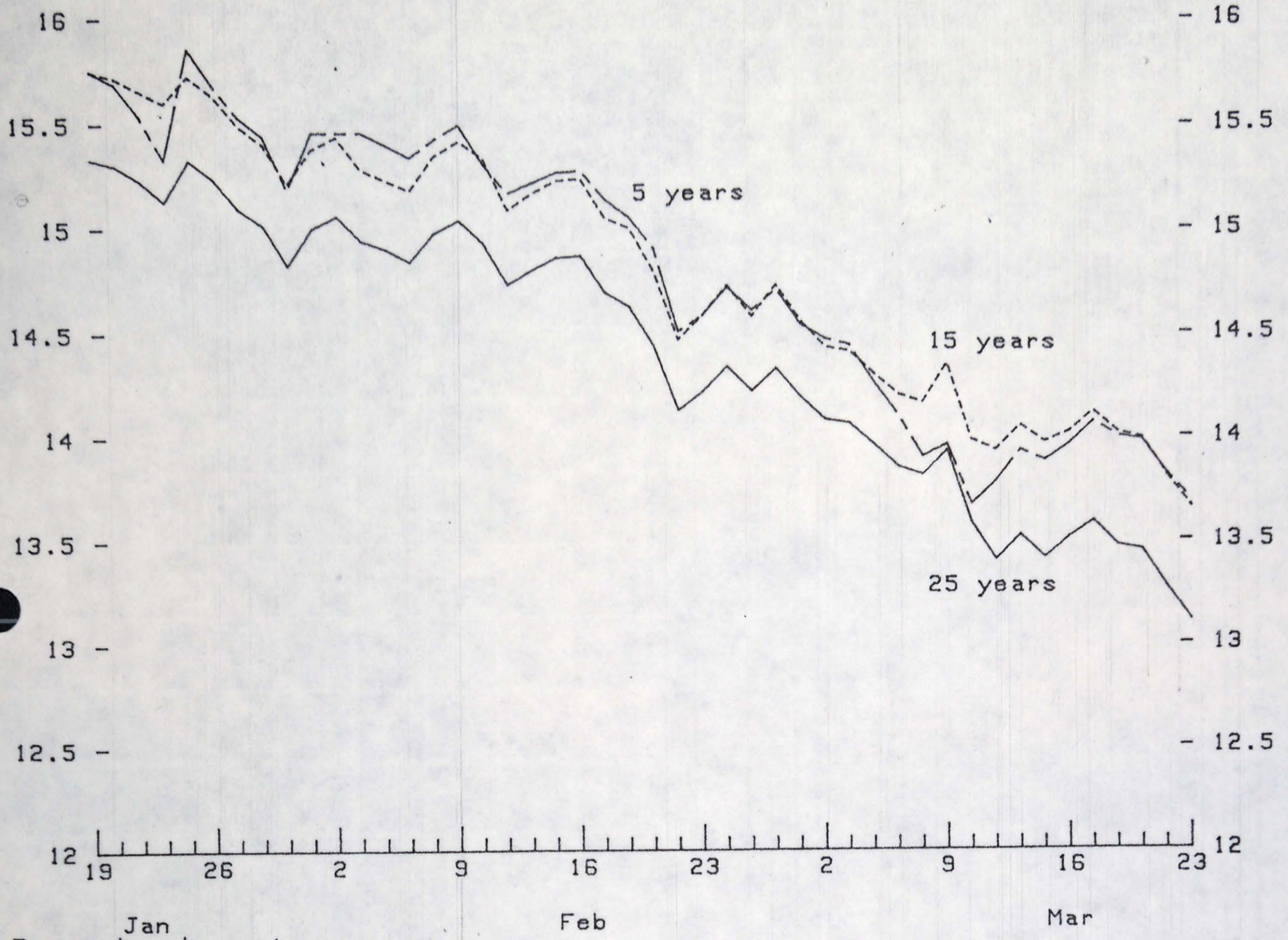
\*Includes 31 in respect of deposit on 2% Index-Linked Treasury 1988

2. Redemption Yields (tax ignored)

	<u>16 March</u>	<u>23 March</u>	<u>Change</u>
12% Treasury 1983	13.38	12.97	-0.41
15% Treasury 1985	13.70	13.40	-0.30
12% Treasury 1987	14.00	13.62	-0.38
11 3/4% Treasury 1991	14.25	13.86	-0.39
13 1/2% Treasury 1994	14.24	13.83	-0.41
2% Index-Linked			
Treasury 1996	2.50	2.83	+0.33
12 1/4% Exchequer 1999	13.80	13.47	-0.33
14% Treasury 1998/01	13.95	13.66	-0.29
12% Exchequer 2013/17	12.96	12.68	-0.28
3 1/2% War Loan (Flat Yield)	12.13	12.00	-0.13



Gilt edged yields [F.T. High coupon]





SECRET

£ millions

NEW ISSUES

Other loan stock\*

	<u>Equities</u>	<u>Convertible loan stock</u>	<u>Domestic borrowers</u>	<u>Foreign borrowers</u>
TOTAL QUEUE <sup>φ</sup>	<u>920</u>	<u>=</u>	<u>100</u>	<u>175</u>
Of which issues of 10 or more:				
Current week (24/3-26/3)	Vickers Ltd (rights) (24/3) 35			
Week 2 (29/3-2/4)				Credit Foncier (placing) (30/3 or 31/3) 75
Week 3 (5/4-8/4)	The Hammerson Property & Investment Trust Ltd (rights) (6/4) 70 RMC Group plc (rights) (7/4 or 8/4) 35			
Week 4 (13/4-16/4)	Coloroll Ltd (offer for sale) (14/4) 15			
Week 5 (17/4-23/4)	Carless Capel & Leonard Ltd (21/4) 15			EIB (offer for sale) (19/4) 100
Week 6 (26/4-30/4)			Midland Bank plc (placing) (27/4 or 28/4) 100	
Week 7 (4/5-7/5)	Argyll Foods Ltd (offer for sale?) (6/5) 80			
Forthcoming	Saatchi & Saatchi Company Ltd (rights) (12/5) 25 BSR Ltd (rights) (19/5) 20 Grand Metropolitan Ltd (rights) (25/5) 100		The South Staffordshire Waterworks Co (Offer for sale) (14/7) 10	



SECRET

Forthcoming  
continued

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
Bowater Corp Ltd (rights) (13/7)	80
Dowty Group Ltd (rights) (20/7)	50
Anglian Windows Ltd (rights) (22/7)	10
Lloyds Bank Ltd (rights) (27/7)	100
Ultramar plc (rights) (12/8)	100
The Caledonian Aviation Group plc (placing) (6/9 or 15/9)	20

Memorandum

		<u>Equities</u>	<u>Loan Stock*</u>
Issues announced: †	1979	946	162
	1980	1,066	364
	1981	1,835	626
	1982 to date	176	148
Issues completed: † (ie gross amounts of cash raised)	1979	979	150
	1980	945	358
	1981	1,720	561
	1982 to date	170	30

\*Includes preference shares

∅Includes issues of 3 or more

†Includes issues of less than 3

\*\*Foreign borrower

24 March 1982



Per cent Time / Yield Curves of British Government Stocks

24th March 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 23rd March  
 FT Actuaries 15 year debenture index yield at 23rd March  
 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 5.8 at 23rd March

FT 15 year Deb  
 14.51 (-.14)  
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