

NOTE FOR WEDNESDAY MEETING

MARKETS: - 24 MARCH TO 30 MARCH 1982

MONEY

The market experienced shortages of about £1/2 bn each day this week except Tuesday when there was a surplus (the first since 10 February). Every day saw the unwinding of repurchase agreements as well as sizeable bill maturities and these were the factors chiefly responsible for the shortages. The Exchequer position was very favourable to the market after Wednesday and exceeded unwinding assistance on the last day of the week to produce the surplus. EEC repayments of UK budget contributions drained a substantial sum from the market on Thursday and movements in the note circulation, as usual, proved an important factor around the weekend.

The Bank bought bills outright on each day of shortage and also bought bills on a repurchase basis on Wednesday. Treasury bills were sold on Tuesday to absorb the surplus funds.

Interbank rates were firmer for most of the week in response to liquidity pressures and upward movements in US interest rates. Ample assistance by the Bank helped rates ease a little within each day (particularly the very short rates) and the cumulative effect of this, together with the surplus, relieved conditions sufficiently on Tuesday for all rates to ease and very short rates to fall by over 1/2. The seven day rate showed a net fall of 1/2 over the week as a whole, closing at 13 3/16% but with period rates more affected by US developments, there was a net rise of 3/16 in the three month rate which closed at 13 11/16%.

Eurosterling rates moved in line with domestic rates over the week and the three month rate also closed 3/16 up at 13 11/16%.

At the Treasury bill tender on Friday the average rate of discount was again slightly higher at 12.5132%.

LOCAL AUTHORITY BORROWING

The rate for one year bonds rose by $1/8\%$ to $13\ 5/8\%$. Issues amounted to £15.5 mn (£17.85 mn last week) against maturities of £14.75 mn.

GILTS

Having reached its highest level for almost a year on 23 March, the market fell back as concern re-emerged about US interest rates and sterling weakened against the dollar. The longer indexed stocks, however, fell by much less than their conventional counterparts.

Wednesday saw some profit-taking in longs following the market's 11-month peak the previous day, though shorts and the index-linked stocks were steady to firm. The market generally was weak the following day after an overnight fall on Wall Street, but the longer indexed stocks saw some demand, with the longer stocks closing about $1/2$ higher. Sentiment was further undermined on Friday by the weakness of sterling. However, against the general trend, low coupon stocks were firmer and the indexed stocks again held steady.

After the weekend, the market gave up more ground as concern re-emerged about the prospects for US money supply growth in April and interest rates, and as sterling weakened further against the dollar. Shorts and longs closed on Monday with losses of up to $5/8$ and $3/4$ respectively, while the longer indexed stocks eased by up to $7/8$.

After a cautious start yesterday following increases in some US banks' broker loan rates, the market made a modest recovery in line with sterling's steadier performance and closed about $1/8$ - $1/4$ up on the day.

Over the week as a whole, prices of shorts fell by around $3/4$ (to yield around $13\ 3/4$ - 14 on 5-year maturities) and those of longs by $2\ 1/4$ (also to around $13\ 3/4$ - 14% on 20-year maturities).

The 1988 IG ended 1/2 down at 49 1/2 (50-paid) with the longer stocks all 1/4 lower.

EQUITIES

Equities remained dull until yesterday when most of the week's earlier losses were regained.

Lack of support saw the market record small losses on each of the three days prior to the weekend. This tendency continued on Monday but the market opened better yesterday after Wall Street's overnight rise and advanced steadily throughout the day to leave the FT 30-Share Index 7.2 higher at 562.3, a fall of only 2 points over the week. The more broadly based 500-Share Index ended at 346.04, a fall of 2.57 over the week.

NEW ISSUES

Queue

The main feature was the addition to the queue of a £150 mn rights issue for Midland Bank. (This is in addition to the placing of loan stock of £100 mn planned for the end of April). The queue now totals £1,253 mn against £1,195 mn last week.

New issues

The net amount of new money raised during banking March was £36 mn compared with £134 mn in the previous month. The total for the banking quarter stands at £206 mn compared with £330 mn in the same period of last year.

The IBRD's £100 mn bulldog issue last week was priced at 99.53 to yield 14.15% (0.4% above the reference gilt). Following Credit Foncier's £50 mn placing yesterday the next borrowers in this market are likely to be EIB (April) and Australia (May).

Init. EAJG

31 March 1982

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases -)

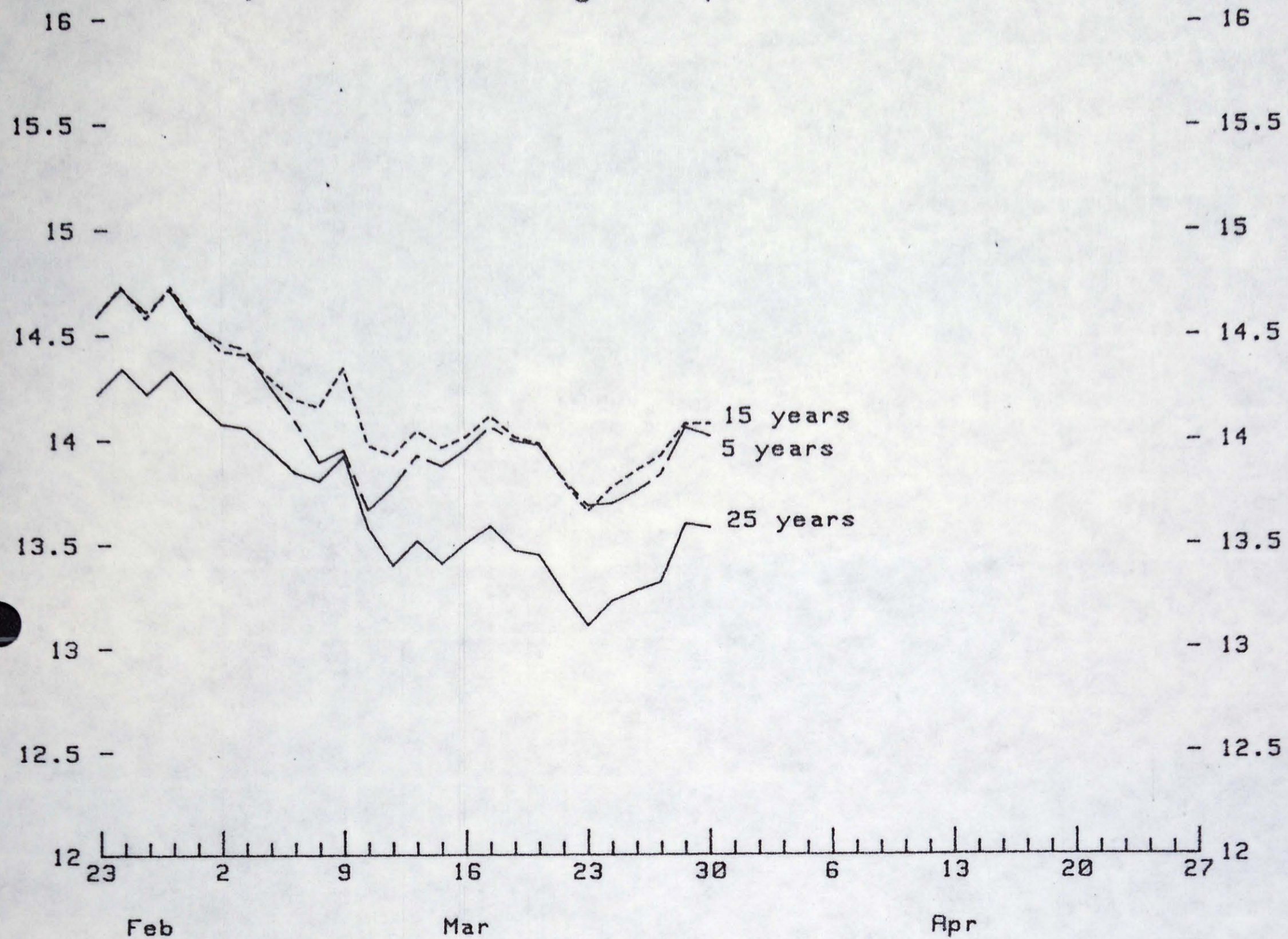
1. Transactions (cash value)

	24. 3.82 <u>-30. 3.82</u>	<u>Cal Qtr</u> <u>to date</u>	<u>Fin Year</u> <u>to date</u>	<u>18.2.81</u> <u>to date</u>
Issue Department				
Purchases/sales				
Next Maturities	- 15	- 456	- 2,671	- 3,091
Other short-dated	<u>+ 2</u>	<u>+ 1,070</u>	<u>+ 3,319</u>	<u>+ 3,819</u>
	- 13	+ 614	+ 648	+ 728
Mediums	+ 11	+ 853	+ 3,272	+ 4,007
Longs and undated	<u>- 30</u>	<u>+ 361</u>	<u>+ 3,609</u>	<u>+ 4,646</u>
Total Issue				
Department trans- actions	- 32	+ 1,828	+ 7,529	+ 9,381
CRND	- 2	+ 346	+ 622	+ 673
Redemptions	- 19	- 802	- 2,030	- 2,035
	<u>- 53</u>	<u>+ 1,372</u>	<u>+ 6,121</u>	<u>+ 7,929</u>

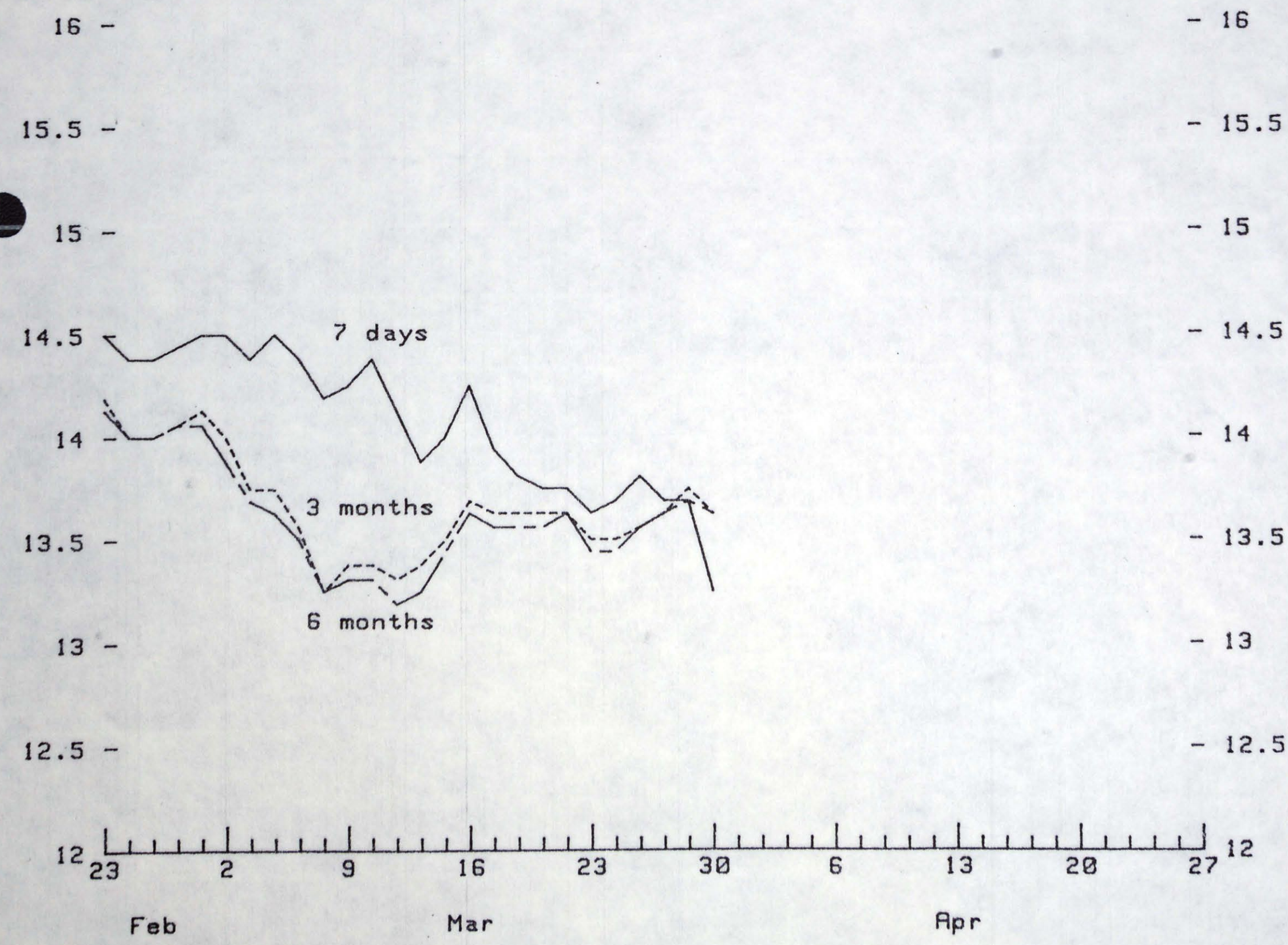
2. Redemption Yields (tax ignored)

	<u>23 March</u>	<u>30 March</u>	<u>Change</u>
12% Treasury 1983	12.97	13.20	+0.23
15% Treasury 1985	13.40	13.76	+0.36
12% Treasury 1987	13.62	13.95	+0.33
11 3/4% Treasury 1991	13.86	14.24	+0.38
13 1/2% Treasury 1994	13.83	14.28	+0.45
2% Index-Linked			
Treasury 1996	2.83	2.87	+0.04
12 1/4% Exchequer 1999	13.47	13.88	+0.41
14% Treasury 1998/01	13.66	14.03	+0.37
12% Exchequer 2013/17	12.68	13.03	+0.35
3 1/2% War Loan (Flat Yield)	12.00	12.30	+0.30

Gilt edged yields [F.T. High coupon]



Interbank rates



NEW ISSUES

Other loan stock*

	Equities	Convertible loan stock	Domestic borrowers	Foreign borrowers
TOTAL QUEUE ^o	<u>1,053</u>	=	<u>100</u>	<u>100</u>
Of which issues of 10 or more:				
Current week (31/3-2/4)				
Week 2 (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 3 (13/4-16/4)	Coloroll Ltd (offer for sale) (14/4) 15 F. J C Lilley plc (rights) (15/4) 10			
Week 4 (19/4-23/4)	Carless Capel & Leonard Ltd (21/4) 15			EIB (offer for sale) (19/4) 100
Week 5 (26/4-30/4)			Midland Bank plc (placing) (27/4 or 28/4) 100	
Week 6 (4/5-7/5)	Argyll Foods Ltd (offer for sale?) (6/5) 80			
Week 7 (10/5-14/5)	Saatchi & Saatchi Company Ltd (rights) (12/5) 25			
Forthcoming	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)	30
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
Midland Bank plc (rights)	
(11/10)	150

Memorandum

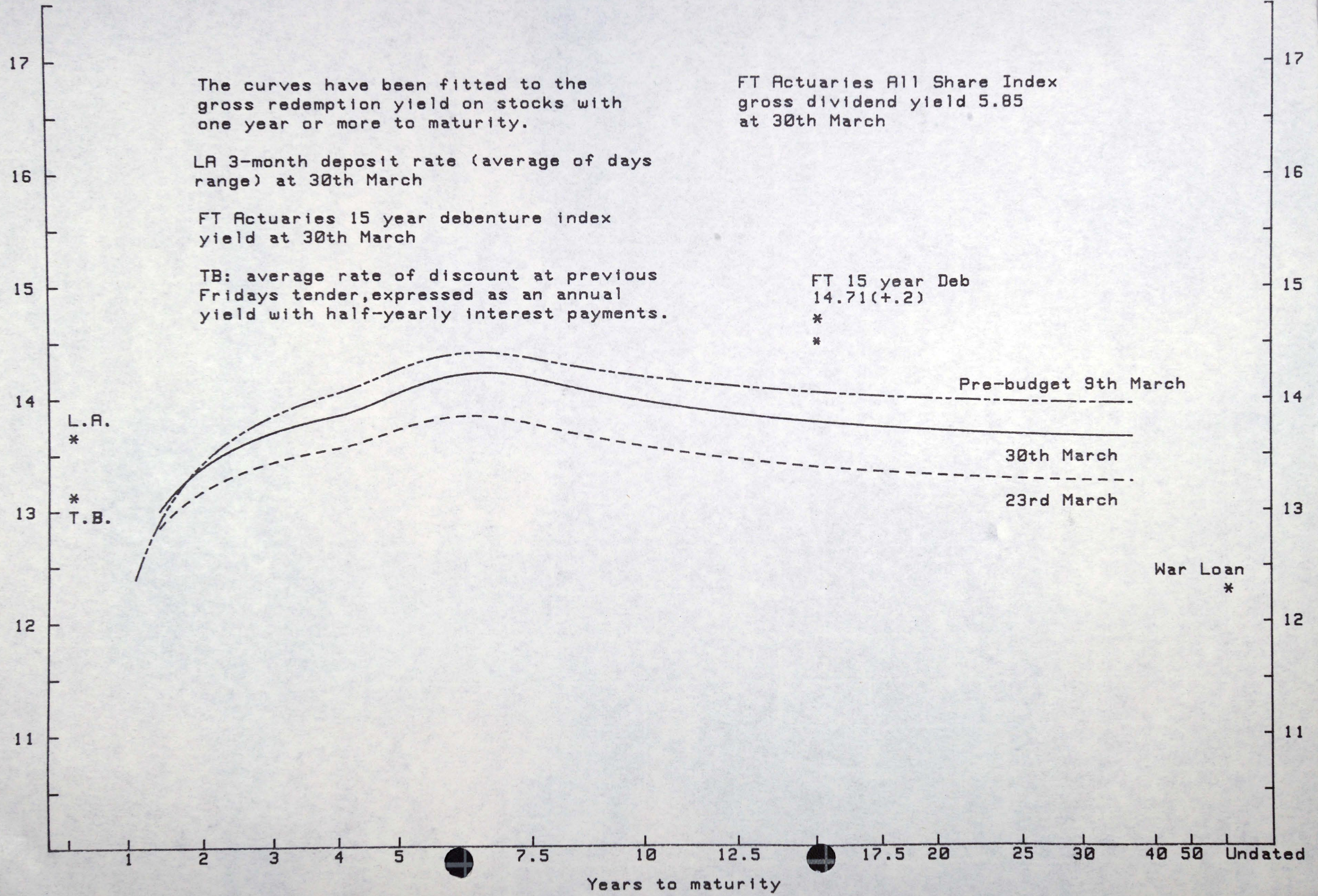
		<u>Equities</u>	<u>Loan Stock*</u>
Issues announced: [†]	1979	946	162
	1980	1,066	364
	1981	1,835	626
	1982 to date	219	183
Issues completed: [†] (ie gross amounts of cash raised)	1979	979	150
	1980	945	358
	1981	1,720	561
	1982 to date	189	60

*Includes preference shares
 †Includes issues of 3 or more
 ‡Includes issues of less than 3
 **Foreign borrower

31 March 1982.

Per cent Time / Yield Curves of British Government Stocks

31st March 1982



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

FT Actuaries All Share Index gross dividend yield 5.85 at 30th March

LA 3-month deposit rate (average of days range) at 30th March

FT Actuaries 15 year debenture index yield at 30th March

TB: average rate of discount at previous Fridays tender, expressed as an annual yield with half-yearly interest payments.

FT 15 year Deb 14.71(+.2)
*
*

Pre-budget 9th March

30th March

23rd March

War Loan *

L.R.
*

*
T.B.

Years to maturity