

NOTE FOR WEDNESDAY MEETING

MARKETS: - 31 MARCH 1982 TO 6 APRIL 1982

MONEY

Although shortages continued each day in the market they were more moderate in size than of late and the week ended with a comfortable day on Tuesday. Bills maturing each day often more than accounted for the shortage and the Exchequer position was in general very favourable as payments were made before the end of the year. The last of the daily series of unwinding repurchase agreements contributed to the shortage on Wednesday as did the call on 13 1/4% Exchequer 1987 'A' on Monday. Movements in the note circulation around the weekend were also particularly marked.

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

Interbank rates eased before the weekend following eurodollar rates but opened firmer on Monday in response to developments in the Falkland Islands' situation. As sterling weakened on the foreign exchanges, period interbank rates continued to rise in nervous trading and rates for 3 months and longer topped 14% on Tuesday. Short rates, in contrast, fell sharply on Tuesday in easy money conditions. The 7 day interbank rate fell 7/8 over the week, closing at 12 1/2%, while the 3 month rate, having fallen 1/4 by the close on Friday then rose 11/16 to end the week at 14 1/16%.

Eurosterling rates were affected by the same factors and they showed an easing over most of the week before firming sharply on Tuesday. The 3 month rate also ended at 14 1/16%, 3/8 up over the week as a whole.

At the Treasury bill tender on Friday the average rate of discount fell 0.04 to 12.4717% in slightly increased competition.

LOCAL AUTHORITY BORROWING

The rate for one year bonds rose by $3/8\%$ to 14% . Issues amounted to only £6.25 mn (£15.5 mn last week) against maturities of £12.1 mn.

GILTS

The market reacted violently to the Falklands crisis after the weekend.

The market opened firm on Wednesday, drawing strength from sterling's steadier performance and although trading was light, prices rose sharply closing with gains of about $1/2$ in shorts and 1 in longs. Trading was even lighter on Thursday but the market continued to drift upwards with gains of $1/4$ - $1/2$ at the close. Friday's reports of an imminent invasion of the Falklands had little initial impact. Mediums and longs gained up to $5/8$ on hopes of a cut in US prime rates but these gains were reversed in the afternoon and the market closed only slightly above opening levels with the FT Government Securities Index just short of the eleven month peak established on 23 March.

Prices opened $1/2$ lower on Monday. Substantial selling developed and increased on news of Lord Carrington's resignation. Prices fell sharply with shorts showing losses of up to $1\ 7/8$ and longs of up to 3 . The selling eased somewhat in the afternoon and prices closed above their worst but still showed falls of $1\ 1/2$ in shorts and $2\ 1/2$ in longs. Indexed Linked stocks closed up to $1\ 1/4$ down on the day. On Tuesday, however, with the market still coming to terms with the political and financial implications of the Falklands crisis prices opened up to $3/4$ lower and fell away further in the course of the morning with longs showing losses of up to $2\ 1/2$ at lunchtime. Prices were marked up after the announcement of the banking figures but the selling resumed and the market closed with shorts showing losses of up to $7/8$ and longs of up to $2\ 1/8$. Index Linked stocks closed about $3/4$ down.

Over the week as a whole, prices of shorts fell by around $2\ 1/4$ (to yield around $14\ 5/8\%$ on five year maturities) while longs fell by around $3\ 3/4$ (to yield $14\ 1/2$ - $3/4\%$ on up to 20 year maturities). Indexed stocks lost around $2\ 1/2$ with the 1988 IG yielding 3.02% .

EQUITIES

After gaining ground last week, the Market has been severely shaken by the Falkland Islands crisis.

With a number of companies reporting better results, most sectors gained ground on Wednesday and the FT Index closed 6.2 up; the institutions were buying and there were few sellers. The market continued to strengthen on Thursday morning but then profit-taking developed and the market closed little changed. The market ignored the Falklands dispute on Friday; most sectors held firm, closing around their best levels.

Leading shares opened relatively steady after the weekend but confidence was shaken by the Ministerial resignations and by lunchtime the FT Index was 16.4 down. Prices subsequently recovered somewhat, encouraged by better wholesale price figures and at the close the FT Index was 11.1 down. The market continued to lose ground on Tuesday morning against a background of a weakening exchange rate and with higher interest rates in prospect and although the market closed well above its worst, the FT Index closed 6.9 points down at 553.0, a loss of 15.5 on the week.

NEW ISSUES

Queue

No new issues of £10 mn or more have been added to the queue this week. Following the announcement of the Hammerson Property rights issue the total of the queue has fallen from 1,253 to 1,143.

7 April 1982
(init EAJG)

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases -)

1. Transactions (cash value)

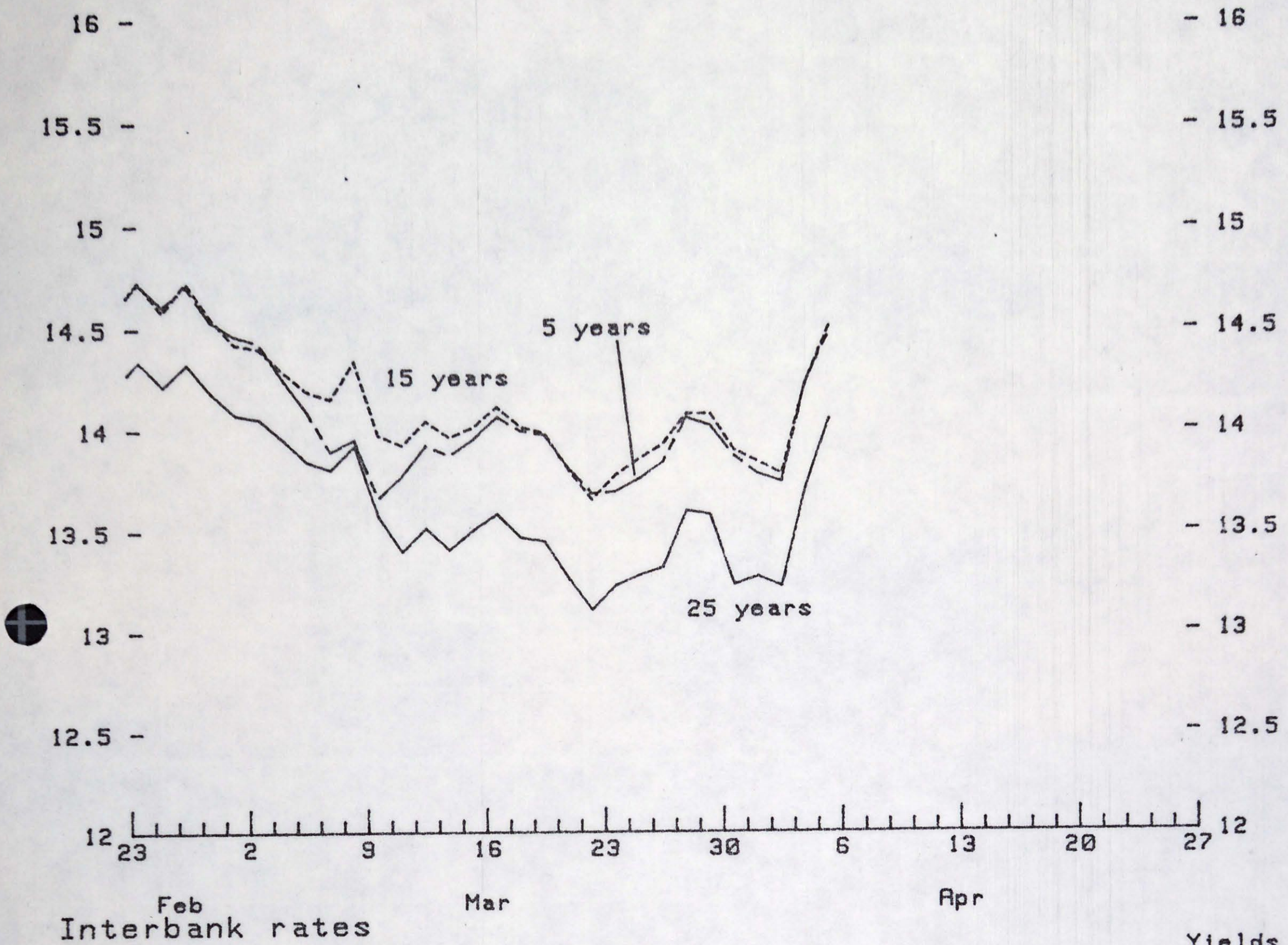
| | 31. 3.82 <u>- 6. 4.82</u> | Cal Qtr and Fin Year <u>to date</u> | 18. 2.81 <u>to date</u> |
|------------------------------|------------------------------|---|----------------------------|
| Issue Department | | | |
| Purchases/sales | | | |
| Next Maturities | - 80 | - 80 | - 3,171 |
| Other short-dated | <u>- 8</u> | <u>- 21</u> | <u>+ 3,811</u> |
| | - 88 | - 100 | + 640 |
| Mediums | + 340* | + 293 | + 4,347 |
| Longs and undated | <u>- 44</u> | <u>- 53</u> | <u>+ 4,602</u> |
| Total Issue | | | |
| Department trans- actions | + 208 | + 139 | + 9,589 |
| CRND | - | - | + 673 |
| Redemptions | - | - | - 2,035 |
| | <u>+</u> | <u>+</u> | <u>+</u> |
| | <u>208</u> | <u>139</u> | <u>8,227</u> |

* Includes 284.2 in respect of call on 13 1/4 Exchequer 1987 'A'

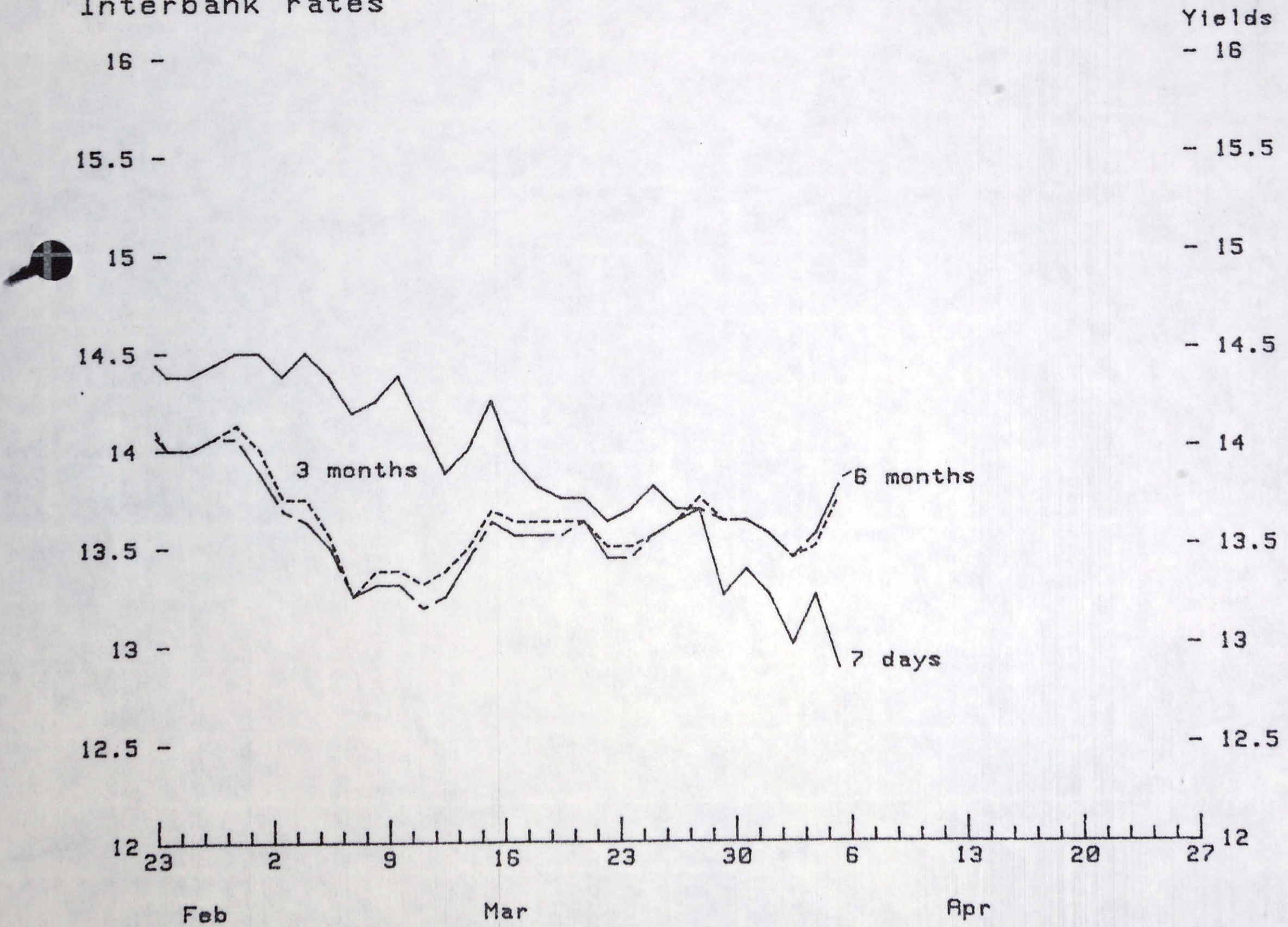
2. Redemption Yields (tax ignored)

| | <u>30 March</u> | <u>7 April</u> | <u>Change</u> |
|------------------------------|-----------------|----------------|---------------|
| 12% Treasury 1983 | 13.20 | 14.20 | +1.00 |
| 15% Treasury 1985 | 13.76 | 14.39 | +0.63 |
| 12% Treasury 1987 | 13.95 | 14.65 | +0.70 |
| 11 3/4% Treasury 1991 | 14.24 | 14.75 | +0.49 |
| 13 1/2% Treasury 1994 | 14.28 | 14.72 | +0.56 |
| 2% Index-Linked | | | |
| Treasury 1996 | 2.87 | 3.10 | +0.23 |
| 12 1/4% Exchequer 1999 | 13.88 | 14.38 | +0.50 |
| 14% Treasury 1998/01 | 14.03 | 14.50 | +0.47 |
| 12% Exchequer 2013/17 | 13.03 | 13.46 | +0.43 |
| 3 1/2% War Loan (Flat Yield) | 12.30 | 12.83 | +0.53 |

Gilt edged yields [F.T. High coupon]



Interbank rates



NEW ISSUES

Other loan stock*

| | <u>Equities</u> | <u>Convertible loan stock</u> | <u>Domestic borrowers</u> | <u>Foreign borrowers</u> |
|--------------------------------------|--|-----------------------------------|--|---|
| TOTAL QUEUE ^ø | <u>951</u> | = | <u>117</u> | <u>75</u> |
| Of which issues of 10 or more: | | | | |
| Week 1 (7/4-8/4) | | | | |
| Week 2 (13/4-16/4) | Coloroll Ltd (offer for sale) (14/4) 15 F J C Lilley plc (rights) (15/4) 10 | | | |
| Week 3 (19/4-23/4) | Carless Capel & Leonard Ltd (21/4) 15 | | | EIB (offer for sale) (19/4) 50-75 |
| Week 4 (26/4-30/4) | | | Midland Bank plc (placing) (27/4 or 28/4) 100 | |
| Week 5 (4/5-7/5) | | | | |
| Week 6 (10/5-14/5) | Argyll Foods Ltd (offer for sale?) (10/5) 80 Saatchi & Saatchi Company Ltd (rights) (12/5) 25 | | | |
| Week 7 (17/5-21/5) | BSR Ltd (rights) (19/5) 20 | | | |
| Forthcoming | 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 | 222 | 183 |
| Issues completed: † (ie gross amounts of cash raised) | 1979 | 979 | 150 |
| | 1980 | 945 | 358 |
| | 1981 | 1,720 | 561 |
| | 1982 to date | 191 | 64 |

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

7 April 1982

