

NOTE FOR WEDNESDAY MEETING

MARKETS: 7 APRIL 1982 TO 13 APRIL 1982

This note covers only three days due to the Easter Holiday.

MONEY

Bills maturing in official hands continued to dominate the market's cash position and more than accounted for the shortages experienced this week. Rises in the note circulation prior to the long weekend also contributed to the shortages but the Exchequer position was in the market's favour. Sizeable quantities of short-dated Treasury bills were purchased by some public sector institutions (in advance of payments to the Exchequer) and this also drained funds from the market, particularly on Thursday.

The Bank provided assistance each day by buying bills outright.

After the initial reaction to the situation in the Falkland Islands and its domestic political repercussions, the markets were calmer on Wednesday and, as sterling halted its decline, all interbank rates eased back from Tuesday's high closing levels. There was little further change before the holiday but as the news over the weekend only heightened the uncertainty over the prospects for a peaceful solution, period rates opened firmer on Tuesday. The Bank's dealing rates in the longer bands continued to reflect the upward drift in these market rates.

The three-month interbank rate, after opening 5/16 lower on Wednesday subsequently rose 1/8 over the rest of the week to close at 13 7/8%. Short rates, however, maintained their softer tone and the seven-day rate fell 1/4 over the week, closing at 12 1/4%.

Eurosterling rates moved in line with domestic rates and the three-month rate also closed at 13 7/8%.

The average rate of discount at the Treasury bill tender on Thursday was up about 0.3 at 12.7821%.

LOCAL AUTHORITY BORROWING

The rate for one year bonds was unchanged at 14%. Issues amounted to £9.35 mn (£6.25 mn last week) against maturities of £14.7 mn.

GILTS

After rallying last Wednesday, the gilts market was very quiet both sides of the holiday weekend but yesterday reflected the resilience of sterling in the face of otherwise discouraging news on the Falklands crisis.

Following the sharp decline in the gilts market during the preceding two days, the recovery in sterling last Wednesday morning, together with an easing of domestic short-term interest rates, brought a return to firm conditions in early trading. Although there was some falling-off in demand as the day progressed, growing hopes of a diplomatic settlement of the Falklands dispute brought a further rally and at the close longs showed gains of around 1 1/2 extending another 1/2 after hours. The easing of sterling on Thursday morning heralded an easier tone and in quiet conditions longs gave up about 1 point before recovering 1/2 later in the day.

After the weekend the market remained quiet and subdued, although the relative strength of sterling gave some resilience in the face of otherwise discouraging news on the Falklands; at the close, prices of long-dated stocks were only about 1/4 lower and some shorts managed gains of 1/4.

Over the week as a whole, prices of shorts rose by 1/8-3/16 (to yield around 14 1/2% on 5-year maturities) while longs rose by around 3/4 (to yield 14 1/4% - 14 5/8% on up to 20-year maturities). The indexed stocks all rose by 1 point (to yield between 2.78% on IG2011 and 3.03% IG1996).

EQUITIES

The equities market has acted as a barometer to hopes of a negotiated settlement of the Falklands dispute.

Last Wednesday, hopes of a peaceful solution encouraged the return of buyers and firm conditions prevailed with the FT Index 8.3 points higher at the close. On Thursday the lack of positive news brought very quiet conditions ahead of the holiday weekend and prices generally moved in line with gilts. At the close the FT Index was 1 point lower at 560.3.

Yesterday, the market was discouraged by signs that Haig's mediation efforts were not bearing fruit and in very thin trading conditions the FT Index closed 8.7 points lower at 551.6, a fall of 1.4 points over the week as a whole.

NEW ISSUES

Queue

Several equity issues were added to the queue, though none was of significant size. In the bulldog market, EIB's proposed offer for sale of up to £75 mn due later this month has been cancelled, but this has been more than offset by the inclusion of an £100 mn issue for Australia planned for May. The queue now totals £1,203 mn against £1,143 mn last week.

Credit Foncier, which raised £50 mn through a placing in the bulldog market last month, is to raise a further £50 mn through a placement of bearer notes with Barclays Bank. The notes will have a maturity of 12 years and will carry a coupon of 15 3/4%. A similar placement was made by another French state agency, CEPME, last month.

(Init EAJG)
14 April 1982

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases -)

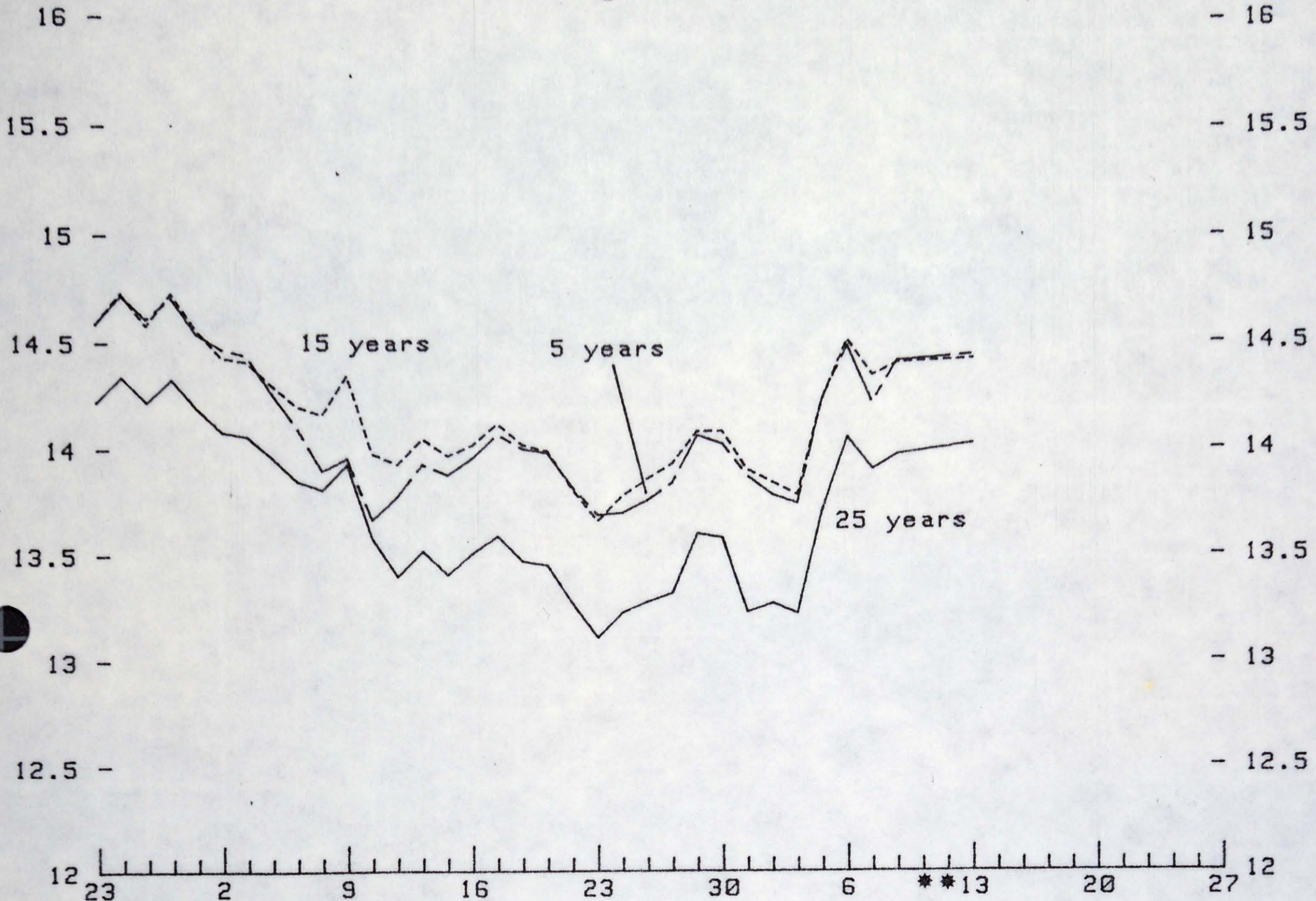
1. Transactions (cash value)

| | 7. 3.82 <u>-13. 4.82</u> | <u>Cal Qtr and Fin Year to date</u> | 17. 2.82 <u>to date</u> |
|-------------------|-----------------------------|---|----------------------------|
| Issue Department | | | |
| Purchases/sales | | | |
| Next Maturities | - 33 | - 113 | - 321 |
| Other short-dated | - 11 | - 32 | + 348 |
| | - 44 | - 145 | + 27 |
| Mediums | + 1 | + 294 | + 838 |
| Longs and undated | + 4 | - 49 | + 215 |
| Total Issue | | | |
| Department trans- | | | |
| actions | - 39 | + 100 | + 1,080 |
| CRND | - | - 1 | + 94 |
| Redemptions | - | - | - 353 |
| | <u>- 39</u> | <u>+ 99</u> | <u>+ 821</u> |

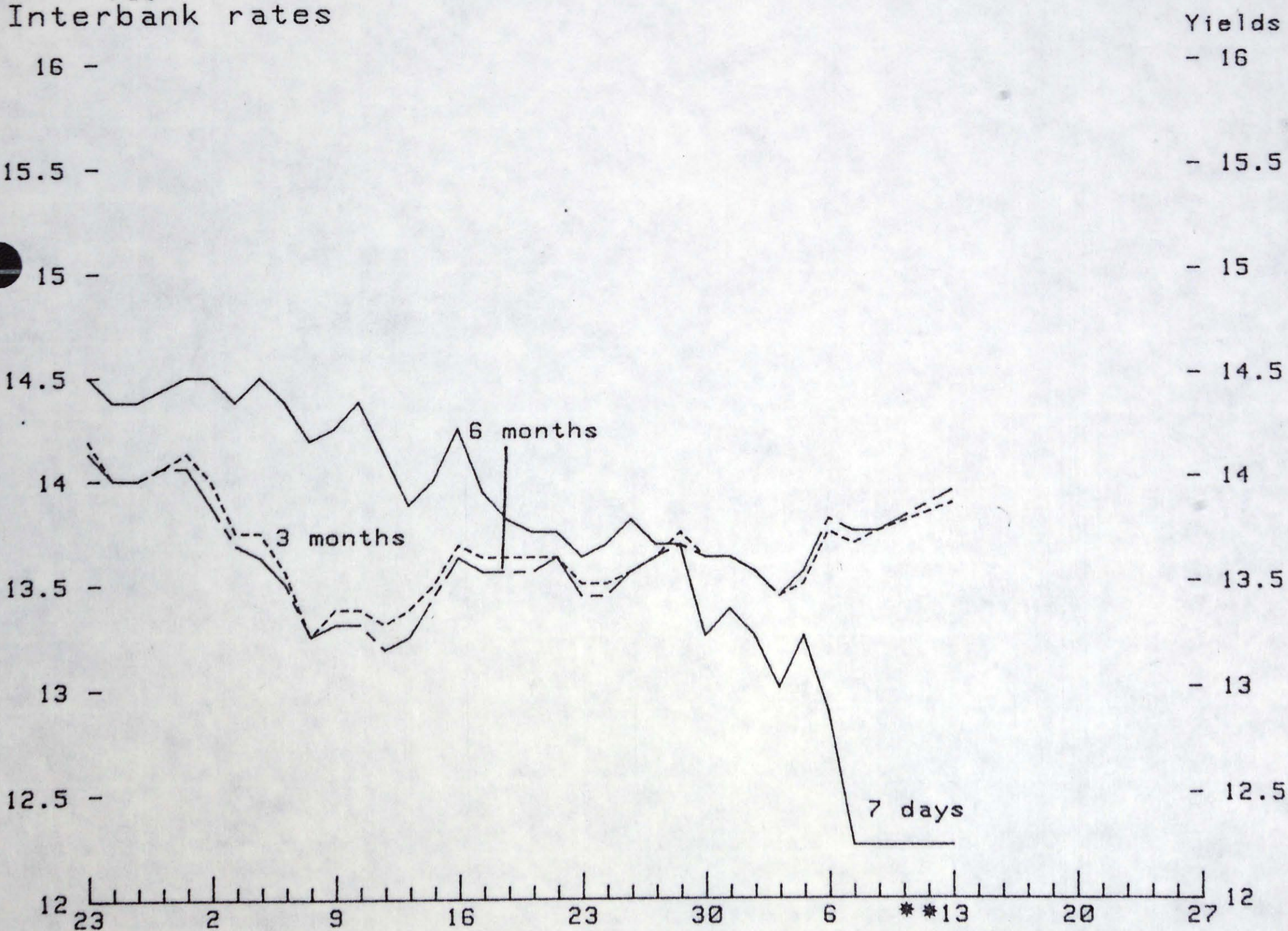
2. Redemption Yields (tax ignored)

| | <u>7 April</u> | <u>13 April</u> | <u>Change</u> |
|------------------------------|----------------|-----------------|---------------|
| 12% Treasury 1983 | 14.20 | 13.91 | -0.29 |
| 15% Treasury 1985 | 14.39 | 14.36 | -0.03 |
| 12% Treasury 1987 | 14.65 | 14.51 | -0.14 |
| 11 3/4% Treasury 1991 | 14.75 | 14.63 | -0.12 |
| 13 1/2% Treasury 1994 | 14.72 | 14.58 | -0.14 |
| 2% Index-Linked | | | |
| Treasury 1996 | 3.10 | 3.03 | -0.07 |
| 12 1/4% Exchequer 1999 | 14.38 | 14.28 | -0.10 |
| 14% Treasury 1998/01 | 14.50 | 14.43 | -0.07 |
| 12% Exchequer 2013/17 | 13.46 | 13.42 | -0.04 |
| 3 1/2% War Loan (Flat Yield) | 12.83 | 12.87 | +0.04 |

Gilt edged yields [F.T. High coupon]



Interbank rates



*Bank Holiday

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^φ | <u>986</u> | = | <u>117</u> | <u>100</u> |
| Of which issues of 10 or more: | | | | |
| Current week (14/4-16/4) | Coloroll Ltd (offer for sale) (14/4) 15 F J C Lilley plc (rights) (15/4) 10 | | | |
| Week 2 (19/4-23/4) | | | | |
| Week 3 (26/4-30/4) | | | Midland Bank plc (placing) (27/4 or 28/4) 100 | |
| Week 4 (4/5-7/5) | Carless Capel & Leonard Ltd (6/5) 15 | | | |
| Week 5 (10/5-14/5) | Argyll Foods Ltd (offer for sale?) (10/5) 80 Saatchi & Saatchi Company Ltd (rights) (12/5) 25 | | | |
| Week 6 (17/5-21/5) | BSR Ltd (rights) (19/5) 20 | | | |
| Week 7 (24/5-28/5) | Grand Metropolitan Ltd (rights) (25/5) 100 | | | Australia (offer for sale) (24/5) 100 |
| Forthcoming | Hill Samuel Group Ltd (rights) (10/6) 15 | | The South Staffordshire Waterworks Co (Offer for sale) (14/7) 10 | |

SECRET

Forthcoming
continued

| | |
|---|-----|
| 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 | 295 | 183 |
| Issues completed: [✓] (ie gross amounts of cash raised) | 1979 | 979 | 150 |
| | 1980 | 945 | 358 |
| | 1981 | 1,720 | 561 |
| | 1982 to date | 193 | 100 |

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

14 April 1982

Per cent Time / Yield Curves of British Government Stocks

14th April 1982

