

NOTE FOR WEDNESDAY MEETING

MARKETS: 14 APRIL TO 20 APRIL 1982

MONEY

Conditions tightened in the money market this week, especially after Wednesday when the Exchequer position became adverse. This, added to the continuing volume of maturing bills, produced quite severe shortages for three consecutive days. On Tuesday the shortage was more moderate as the quantity of bills maturing was small.

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

Interbank rates continued to move in response to the changing prospects for a peaceful solution to the Falklands Islands issue and the strength of sterling. As time passed without apparent progress, rates developed a clear firming but rumours of a proposed peace formula gave grounds for optimism and period rates eased after the weekend. The firming prior to the weekend was particularly marked in the very short rates as liquidity pressures again exerted their influence. The soft tone, which had developed as operators adjusted their portfolios to the altered outlook for interest rates after the invasion, disappeared to give a fairly flat yield curve out to a year. Over the week as a whole the seven day rate rose $1 \frac{1}{4}$ to close at $13 \frac{1}{2}\%$. The three month rate showed a net fall of $\frac{3}{16}$, closing at $13 \frac{11}{16}\%$, having reached $14 \frac{1}{16}\%$ early on Monday.

Eurosterling rates followed domestic rates over the week and the three month rate also closed at $13 \frac{11}{16}\%$, showing a net fall of $\frac{3}{16}$.

At the Treasury bill tender on Friday the amount allotted was reduced to £60mn in order to steady rising market rates. The average rate of discount for this reduced allocation was 13.1993%, 0.42 higher than last week.

LOCAL AUTHORITY BORROWING

The rate for one year bonds fell by 1/8% to 13 7/8%. Issues amounted to £12mn (£9.35mn last week) against maturities of £14.5mn.

GILTS

The market remains subdued and nervous over the Falklands crisis, but has recovered some ground this week.

Last Wednesday, although the market was restrained by the underlying uncertainties of the Falklands dispute, a slightly firmer tone emerged from the steadier performance of sterling and Tuesday's news of a lower than expected outturn for 1981/82 CGBR. Shorts rose by 1/4-3/8 and longs by 1/2.

On Thursday, however, the market became increasingly unsettled as less hopeful rumours circulated and prices drifted lower, most finishing 5/8 down. Similar conditions prevailed for much of Friday but although small losses were widespread at the official close, more optimistic rumours about the Falklands introduced a firmer note after hours and prices ended the day showing small net gains.

After the weekend the market failed to maintain the optimistic tone of Friday evening but once again advanced after hours as news reached London of a breakthrough in the Falklands negotiations. Over the day longs rose 5/8.

Yesterday the firm conditions continued and although trading remained very light, prices again advanced early in the day with shorts up to 1/4-1/2 and longs up to 1 point higher.

Over the week as a whole prices of shorts rose by around 3/4 (to yield 14 1/8%-14 1/4% on 5 year maturities) while longs rose by around 1 1/4 (to yield 14%-14 1/4 on up to 20 year maturities). The two medium dated indexed stocks rose 1/2 while the two long dated indexed stocks fell 1/2 (yields ranged between 2.78% on IG 1988 and 30.1% on IG 1996).

EQUITIES

The market continues to be very quiet with price movements largely reflecting changes in sentiment on the Falklands crisis.

Last Wednesday, despite a lack of genuine investment demand, a slightly steadier tone and a technical rally left the FT index 2.8 higher. On Thursday uneasy conditions returned and the Index fell back 9.6 points to 544.8, a fall of 26.2 since the start of the Falklands crisis.

The market steadied on Friday as dealers squared their positions at the end of the account and late in the day improved on vague rumours of a breakthrough in the Falklands negotiations, with the FT Index closing 5.9 higher.

The rally was not maintained in early trading on Monday but a sharp improvement was seen near the end of the day as news of the Falklands peace plan reached London and the index ended 7.4 up after opening 4.7 down. Yesterday the firm tone remained for much of the day and the index closed 4.5 higher at 562.6, a rise of 11 points over the week as a whole.

NEW ISSUES

Queue

Two large issues were added to the queue this week: an offer for sale of £100mn by Allied Suppliers Ltd and a rights issue of £75mn by Granada Group plc. The queue now totals £1,361mn against £1,203mn last week.

Init EAJG

21 April 1982

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases -)

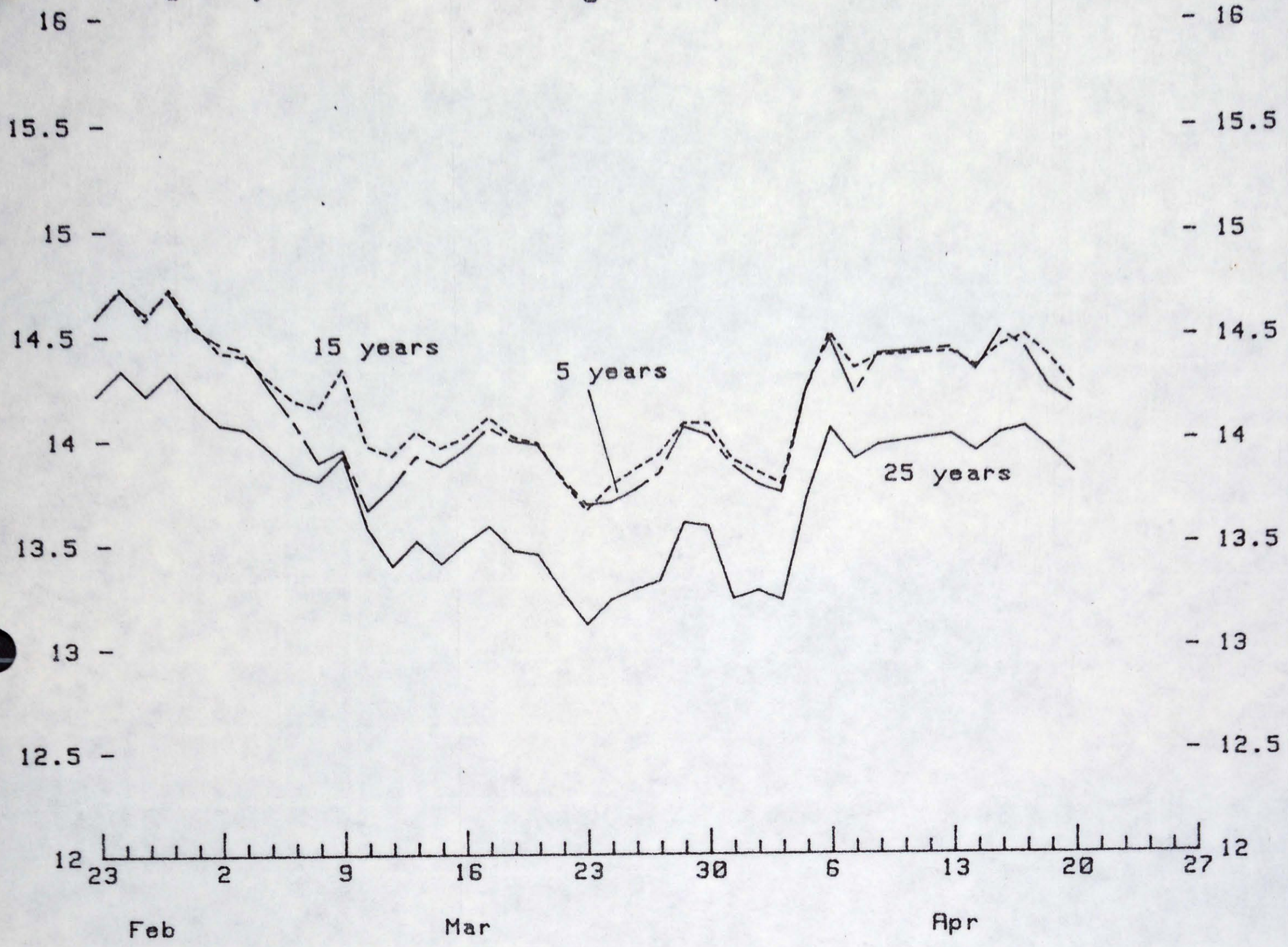
1. Transactions (cash value)

	14. 4.82 <u>-20. 4.82</u>	Cal Qtr and Fin Year to date	17. 2.82 <u>to date</u>
Issue Department			
Purchases/sales			
Next Maturities	+ 21	- 92	- 300
Other short-dated	<u>- 18</u>	<u>- 50</u>	<u>+ 330</u>
	+ 3	- 142	+ 30
Mediums	+ 46	+ 340	+ 884
Longs and undated	<u>+ 8</u>	<u>- 41</u>	<u>+ 223</u>
Total Issue			
Department trans-			
actions	+ 57	+ 157	+ 1,137
CRND	- 1	- 1	+ 93
Redemptions	-	-	- 353
	<u>+</u>	<u>+</u>	<u>+</u>
	<u>56</u>	<u>156</u>	<u>877</u>

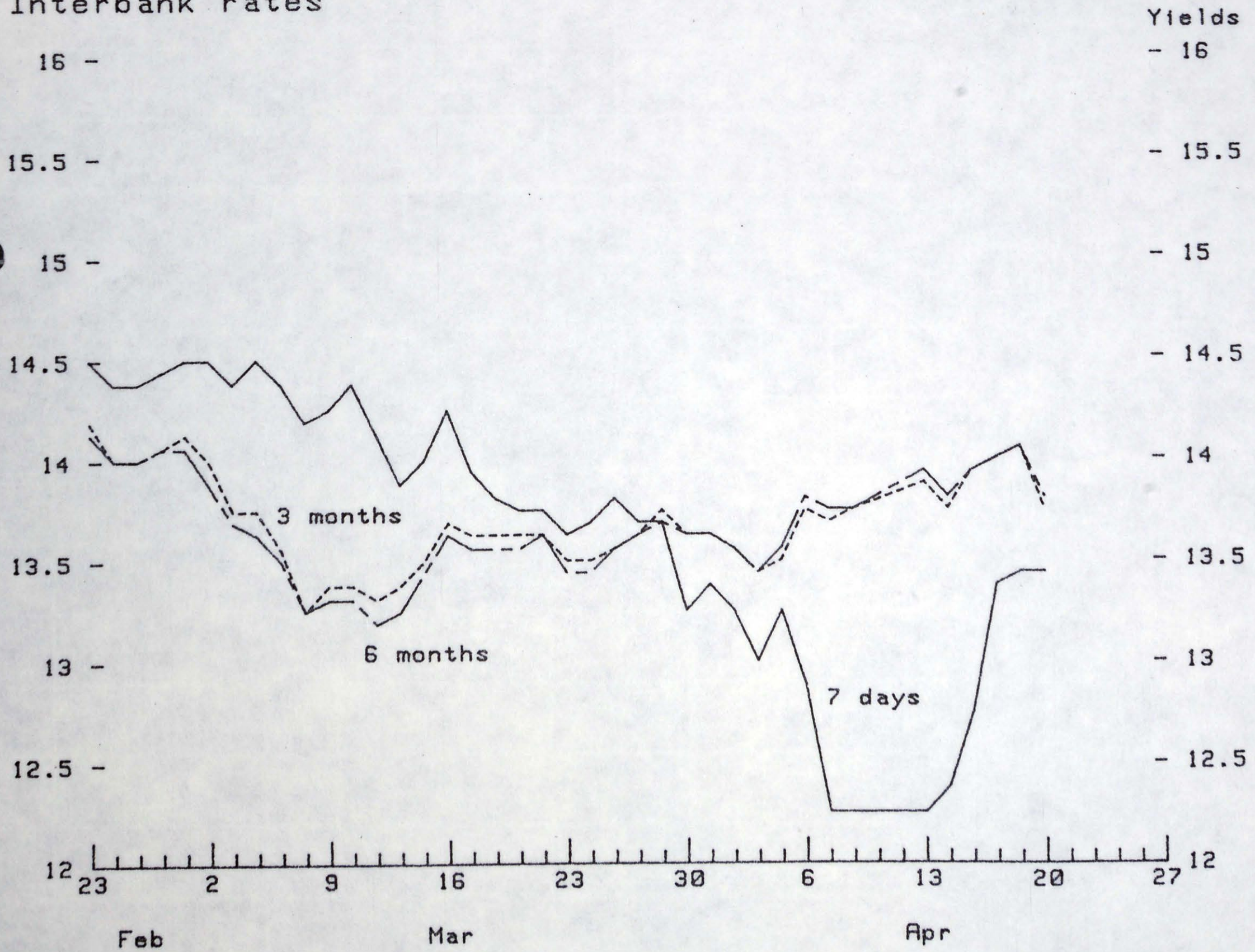
2. Redemption Yields (tax ignored)

	<u>13 April</u>	<u>20 April</u>	<u>Change</u>
12% Treasury 1983	13.91	13.40	-0.51
15% Treasury 1985	14.36	14.03	-0.33
12% Treasury 1987	14.51	14.15	-0.36
11 3/4% Treasury 1991	14.63	14.40	-0.23
13 1/2% Treasury 1994	14.58	14.44	-0.14
2% Index-Linked			
Treasury 1996	3.03	3.01	-0.02
12 1/4% Exchequer 1999	14.28	14.06	-0.22
14% Treasury 1998/01	14.43	14.21	-0.22
12% Exchequer 2013/17	13.42	13.27	-0.25
3 1/2% War Loan (Flat Yield)	12.87	12.78	-0.09

Gilt edged yields [F.T. High coupon]



Interbank rates



*Bank Holiday

NEW ISSUES

	NEW ISSUES		Other loan stock*	
	Equities	Convertible loan stock	Domestic borrowers	Foreign borrowers
TOTAL QUEUE ²	<u>1,144</u>	=	<u>117</u>	<u>100</u>
Of which issues of 10 or more:				
Current week (21/4-23/4)				
Week 2 (26/4-30/4)			Midland Bank plc (placing) (27/4 or 28/4) 100	
Week 3 (4/5-7/5)	Carless Capel & Leonard Ltd (6/5) 15			
Week 4 (10/5-14/5)	Argyll Foods Ltd (offer for sale?) (10/5) 80 Saatchi & Saatchi Company Ltd (rights) (12/5) 25			
Week 5 (17/5-21/5)	BSR Ltd (rights) (19/5) 20			
Week 6 (24/5-28/5)	Grand Metropolitan Ltd (rights) (25/5) 100			Australia (offer for sale) (24/5) 100
Week 7 (1/6-4/6)				
Forthcoming	Hill Samuel Group Ltd (rights) (10/6) 15 Allied Suppliers Ltd (offer for sale) (17/6) 100		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
<u>Granada Group plc</u> <u>(rights)</u> <u>(14/12)</u>	<u>75</u>

Memorandum

		<u>Equities</u>	<u>Loan Stock*</u>
Issues announced: /	1979	946	162
	1980	1,066	364
	1981	1,835	626
	1982 to date	302	183
Issues completed: / (ie gross amounts of cash raised)	1979	979	150
	1980	945	358
	1981	1,720	561
	1982 to date	195	99

*Includes preference shares

ØIncludes issues of 3 or more

/Includes issues of less than 3

**Foreign borrower

21 April 1982

