

SECRET

28. 4.82

NOTE FOR WEDNESDAY MEETING

MARKETS: 21 APRIL TO 27 APRIL 1982

MONEY

The market experienced mixed conditions this week. Shortages persisted each day and were often sizeable but there were also two days when conditions were much easier. Unwinding assistance, particularly maturing bills, accounted for most of the week's shortage. The exchequer position was slightly unfavourable to the market overall but varied greatly in its daily effect.

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

Interbank rates generally drifted slightly upwards before the weekend as the days passed in apparently fruitless negotiations to find a solution to the situation in the Falkland Islands. On Monday sterling opened sharply lower, having come under pressure following the landing on South Georgia, and interbank rates responded with rises of between $1/8$ and $3/16$. As sterling recovered some ground, interbank rates fell back and ended the week quite steady in quiet conditions. The three month rate rose $1/8$ over the week as a whole, closing at $13 \frac{13}{16}\%$.

Eurosterling rates, too, showed rises over most of the week although they also showed some easing on Tuesday. The three month rate ended the week at $13 \frac{3}{4}\%$, a net rise of $1/16$.

At the Treasury bill tender on Friday, the full £100mn was allotted and the average rate of discount fell about 0.3 to 12.8910%.

LOCAL AUTHORITY BORROWING

The rate for one year bonds was unchanged at $13 \frac{7}{8}\%$. Issues amounted to £13mn (£12mn last week) against maturities of £20.1mn.

GILTS

Trading has been very thin all week with the market particularly sensitive to international developments.

The market opened firm on Wednesday. Mr Pym's decision to visit Washington aroused hopes that a settlement of the Falklands dispute might be in prospect but a new shadow was then cast by the news of Israeli bombing raids in Lebanon. Longs closed about $3/4$ up, $1/2$ below their best, while shorts closed about $1/4$ up. With little sign of progress in the Falklands negotiations the market drifted lower on Thursday but steadied on Friday following the publication of more encouraging retail price figures. The military action in South Georgia caused fresh nervousness and prices were marked down by $1/4$ - $3/8$ at Monday's opening; longs recovered by $1/8$ in subsequent trading though this was again very light. The market continued firm yesterday although turnover remained thin. Longs managed gains of up to $7/8$ before falling back to close about $5/8$ up while shorts closed about $3/8$ up.

Over the week as a whole, prices of shorts rose by $1/8$ - $1/4$ (to yield $14\ 1/8\%$ on 5 year maturities) while longs gained $5/8$ - $3/4$ (to yield 14% on 20 year maturities). The prices of the four index linked stocks were unchanged (yields ranging from 2.80% on IG 1988 to 3.03% on IG 1996).

EQUITIES

The market remains preoccupied by the Falklands crisis but while turnover remains thin prices have held firm.

The market opened firm on Wednesday extending recent gains on hopes of a peaceful outcome to the Falklands dispute. Turnover was thin and gains were out of all proportion to the volume done but the index rose 9.6 points before falling back on news of the Israeli bombing raids to close 4.8 points up on the day. The market held firm on Thursday but eased slightly on Friday with few buyers willing to commit themselves ahead of the weekend.

Prices were marked down at the opening on Monday but this proved unwarranted and was quickly reversed. Thereafter trading was barely sufficient to test prices but the index closed 0.9 up on the day. Yesterday the market opened cautiously optimistic on the Falklands situation but became more hesitant in the afternoon and the index closed below its best at 570.2 to show a gain of 2.8 points on the week.

NEW ISSUES

Queue

Only two issues of £10mn or more were added to the queue this week: a placing of £11mn by Wolseley-Hughes plc and an offer for sale of £10mn by Hadson Petroleum International. With Midland's proposed £100mn placing of loan stock having been cancelled, the queue now totals £1,280mn against £1,361mn last week.

(Init EAJG)

28 April 1982

Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases -)

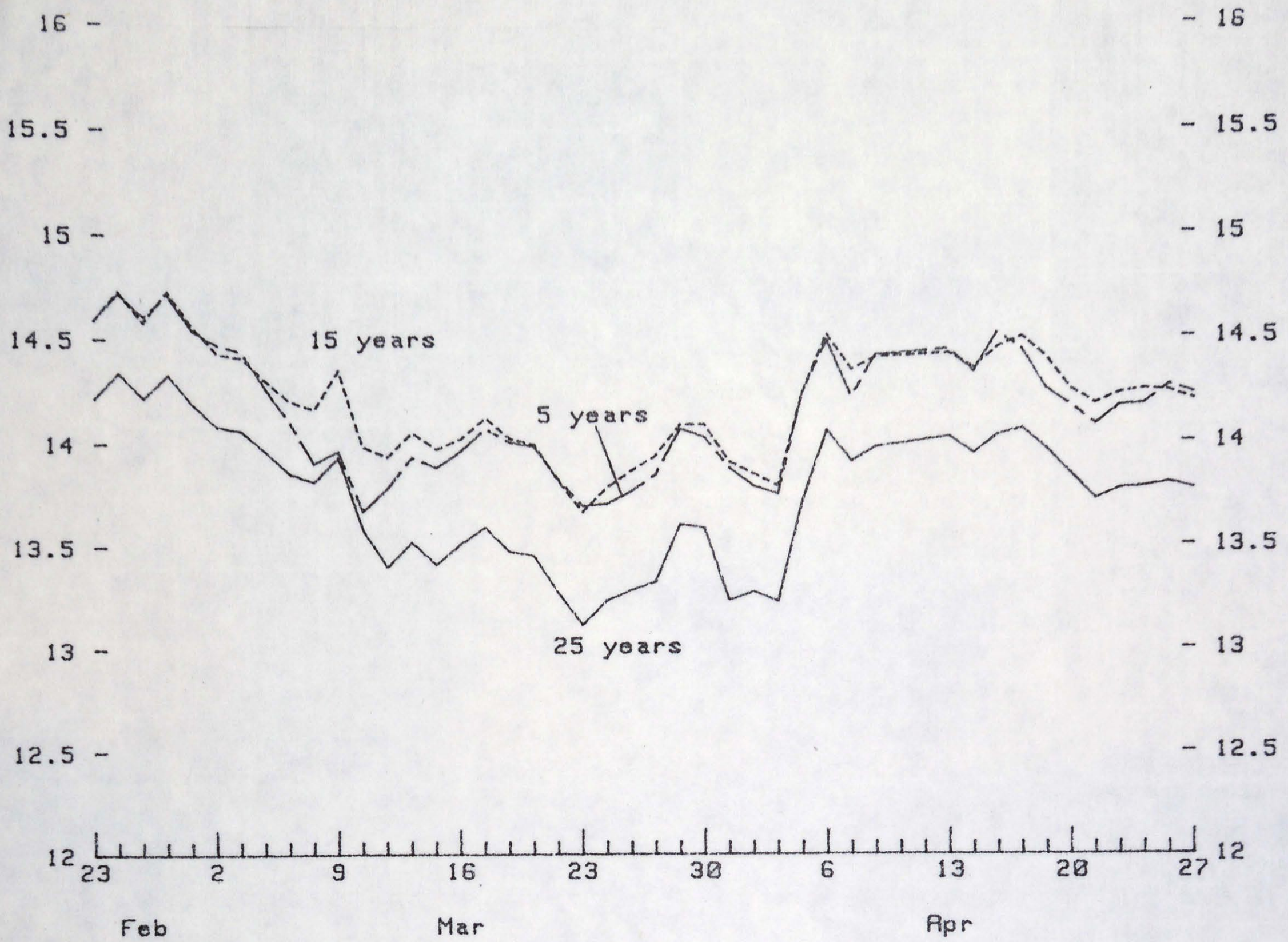
1. Transactions (cash value)

	21. 4.82 <u>-27. 4.82</u>	Cal Qtr and Fin Year <u>to date</u>	17. 2.82 <u>to date</u>
Issue Department			
Purchases/sales		- 92	- 300
Next Maturities	-	-	+
Other short-dated	+ 10	- 40	+ 340
	+ 10	-	+ 40
Mediums	+ 45	+ 385	+ 929
Longs and undated	+ 25	- 16	+ 248
Total Issue			
Department trans-			
actions	+ 80	+ 237	+ 1,217
CRND	- 1	-	+ 92
Redemptions	-	-	- 353
	<u>+ 79</u>	<u>+ 235</u>	<u>+ 956</u>

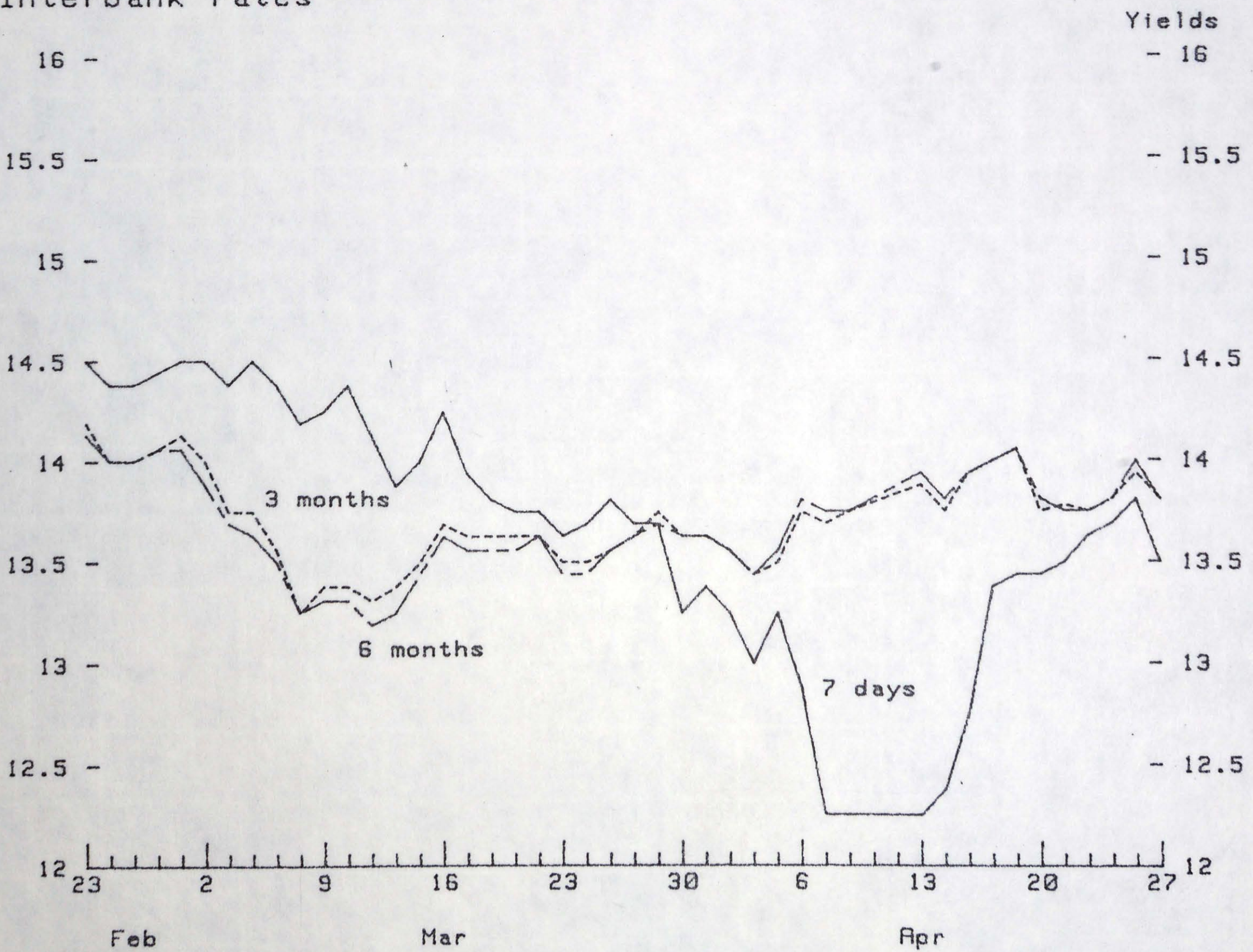
2. Redemption Yields (tax ignored)

		<u>20 April</u>	<u>27 April</u>	<u>Change</u>
12%	Treasury 1983	13.40	13.66	+0.26
15%	Treasury 1985	14.03	13.94	-0.09
12%	Treasury 1987	14.15	14.15	-
11 3/4%	Treasury 1991	14.40	14.40	-
13 1/2%	Treasury 1994	14.44	14.44	-
2%	Index-Linked			
	Treasury 1996	3.01	3.03	+0.02
12 1/4%	Exchequer 1999	14.06	13.99	-0.07
14%	Treasury 1998/01	14.21	14.09	-0.12
12%	Exchequer 2013/17	13.27	13.20	-0.07
3 1/2%	War Loan (Flat Yield)	12.78	12.58	-0.20

Gilt edged yields [F.T. High coupon]



Interbank rates



*Bank Holiday

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£ millions

NEW ISSUES

	Equities	Convertible loan stock	Other loan stock*	
			Domestic borrowers	Foreign borrowers
TOTAL QUEUE ^o	<u>1,163</u>	<u>=</u>	<u>17</u>	<u>100</u>
Of which issues of 10 or more:				
Current week (28/4-30/4)				
Week 2 (4/5-7/5)	Carless Capel & Leonard Ltd (6/5) 15			
Week 3 (10/5-14/5)	Argyll Foods Ltd (offer for sale?) (10/5) 80 Wolseley-Hughes plc (placing) (11/5) 11 Saatchi & Saatchi Company Ltd (rights) (12/5) 25			
Week 4 (17/5-21/5)	BSR Ltd (rights) (19/5) 20			
Week 5 (24/5-28/5)	Grand Metropolitan Ltd (rights) (25/5) 100			Australia (offer for sale) (24/5) 100
Week 6 (1/6-4/6)				
Week 7 (7/6-11/6)	Hill Samuel Group Ltd (rights) (10/6) 15			
Forthcoming	Allied Suppliers Ltd (offer for sale) (17/6) 100		The South Staffordshire Waterworks Co (Offer for sale) (14/7) 10	

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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
	<u>Hadson Petroleum International plc (offer for sale) (3/8)</u>	<u>10</u>
	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
	Granada Group plc (rights) (14/12)	75

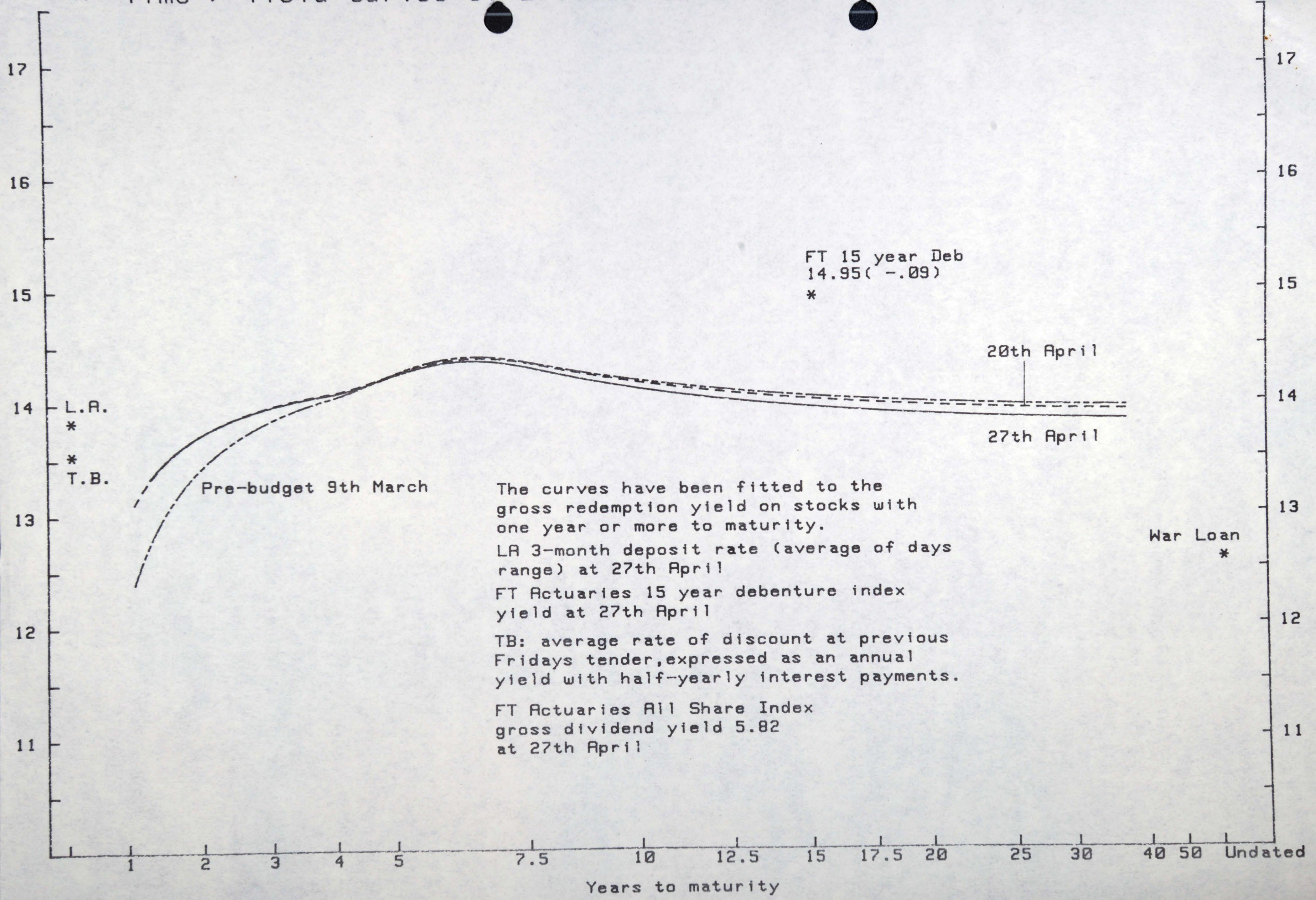
Memorandum

		<u>Equities</u>	<u>Loan Stock*</u>
Issues announced: †	1979	946	162
	1980	1,066	364
	1981	1,835	626
	1982 to date	311	183
Issues completed: † (ie gross amounts of cash raised)	1979	979	150
	1980	945	358
	1981	1,720	561
	1982 to date	225	99

*Includes preference shares
ØIncludes issues of 3 or more
/Includes issues of less than 3
**Foreign borrower

Per cent Time / Yield Curves of British Government Stocks

28th April 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 27th April

FT Actuaries 15 year debenture index yield at 27th April

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 5.82 at 27th April