

## NOTE FOR WEDNESDAY MEETING

MARKETS: 28 APRIL TO 4 MAY 1982

## MONEY

A small surplus emerged on Wednesday but money market conditions were tight for the rest of the week. The effect of an Exchequer position generally favourable to the market was outweighed by the cash drain caused by maturities of bills in official hands and a moderate increase in the note circulation before the holiday weekend.

On Wednesday the Bank was able to sell a small quantity of Treasury bills to "mop up" the surplus. On the other three days the Bank gave assistance to the market purchasing a combination of Local Authority and eligible bank bills.

Interbank rates were again dominated by news of developments in the South Atlantic and the nervous mood resulted in a virtually flat yield curve for period rates throughout the week. Rates eased at the start of the week in response to the continued strength of sterling and the decline in US rates. There was little change in period rates ahead of the long weekend although short term rates began to show a much easier tone. On Tuesday period rates eased further reflecting the strength of sterling over the weekend. The seven day rate finished 5/16% down on the week at 13% and the three month rate closed 1/4% lower at 13 1/2%. Eurosterling rates followed the pattern of domestic rates with some easing at the start of the week followed by a steadying up to the weekend and further slight easing on Tuesday. Here too a flat yield curve was seen, period rates remaining at levels around 13 3/4%.

At the Treasury bill tender on Friday the average rate of discount rose very slightly to 12.9765%.



## LOCAL AUTHORITY BORROWING

The rate for one-year bonds fell by 1/4% to 13 3/8%. Issues amounted to £22.4mn (£13mn last week) against maturities of £23.65mn. This is the highest volume of issues seen in the market for at least a year.

## GILTS

The market remained very quiet awaiting a resolution of the Falklands crisis. The potential for a sharp rise in prices in the event of a settlement was illustrated by the after-hours mark-up on Friday following a report that Argentina had agreed to withdraw.

Conditions remained quiet on Wednesday and prices fluctuated narrowly during the day to close about 1/4 higher in shorts and unchanged in longs; the indexed stocks saw some selling, however, and lost up to 3/4.

More hopeful rumours about the Falklands crisis had imparted some firmness to after-hours trade and the market opened slightly higher on Thursday morning. Further small gains were made during the day as sterling continued to rise against the dollar.

Prices slipped back in official trading on Friday but in after-hours dealing prices were marked up by as much as 3 points on reports that the Argentines were ready to withdraw from the Falklands.

Part of these gains (up to 1/2 in shorts and 1 in longs) was retained when the market opened on Tuesday after the holiday weekend. Thereafter prices tended to slip back at the long end (which ended about 1/2 above Friday's close) although it was possible to make some small official sales of stock.

Over the week as a whole yields on shorts fell by some 3/16% (to about 14% on five-year maturities) while those on longs were about 1/16% lower (about 13 3/4-14% on 20-year maturities). Yields on the indexed stocks were up to 1/16% higher (ranging from 2.84% on IG 1988 to 3.10% on IG 1996).



## EQUITIES

Despite the Falklands crisis the market advanced to reach new 1982 peaks.

The market improved on Wednesday after a nervous start and with some good company results (particularly from BAT) the FT 30-Share Index gained 5.1 points. This firmer trend was extended on Thursday with ICI's disappointing first quarter results causing only a temporary setback: the Index rose by a further 6.7 points to reach a new 1982 high of 582.0 (not far short of the all-time peak of 597.3 in April 1981). The following day saw a reaction at the start of the new account but, as with gilts, prices were marked up sharply in after-hours trade on hopes of a resolution of the Falklands crisis.

After the weekend early trading was confused on Tuesday as the market attempted to find the right trading level, but selective buying in a thin market caused most sectors to move ahead: the 30-Share Index ended 9.1 higher on balance at 584.2, a rise of 14 points on the week. The more broadly based 500-Share Index ended at 361.66 (up 6.03 on the week).

## NEW ISSUES

## Queue

No new issues of £10mn or more were added to the queue which now totals £1,216mn against £1,280mn last week.

## Net capital issues

The net amount of new money raised in banking April was £49mn against £36mn in March.

Init EAJG

5 May 1982



Official Stock Transactions and Gilt-Edged Yields

(£ million: sales +, purchases - )

1. Transactions (cash value)

	28. 4.82 <u>- 4. 5.82</u>	Cal Qtr and Fin Year <u>to date</u>	17. 2.82 <u>to date</u>
Issue Department			
Purchases/sales			
Next Maturities	-	- 92	- 300
Other short-dated	-	- 40	+ 340
	-	- 132	+ 40
Mediums	+ 51*	+ 435	+ 980
Longs and undated	+ 26	+ 10	+ 274
Total Issue			
Department trans-			
actions	+ 77	+ 313	+ 1,294
CRND	- 3	- 5	+ 89
Redemptions	-	-	- 353
	<u>+ 74</u>	<u>+ 308</u>	<u>+ 1,030</u>

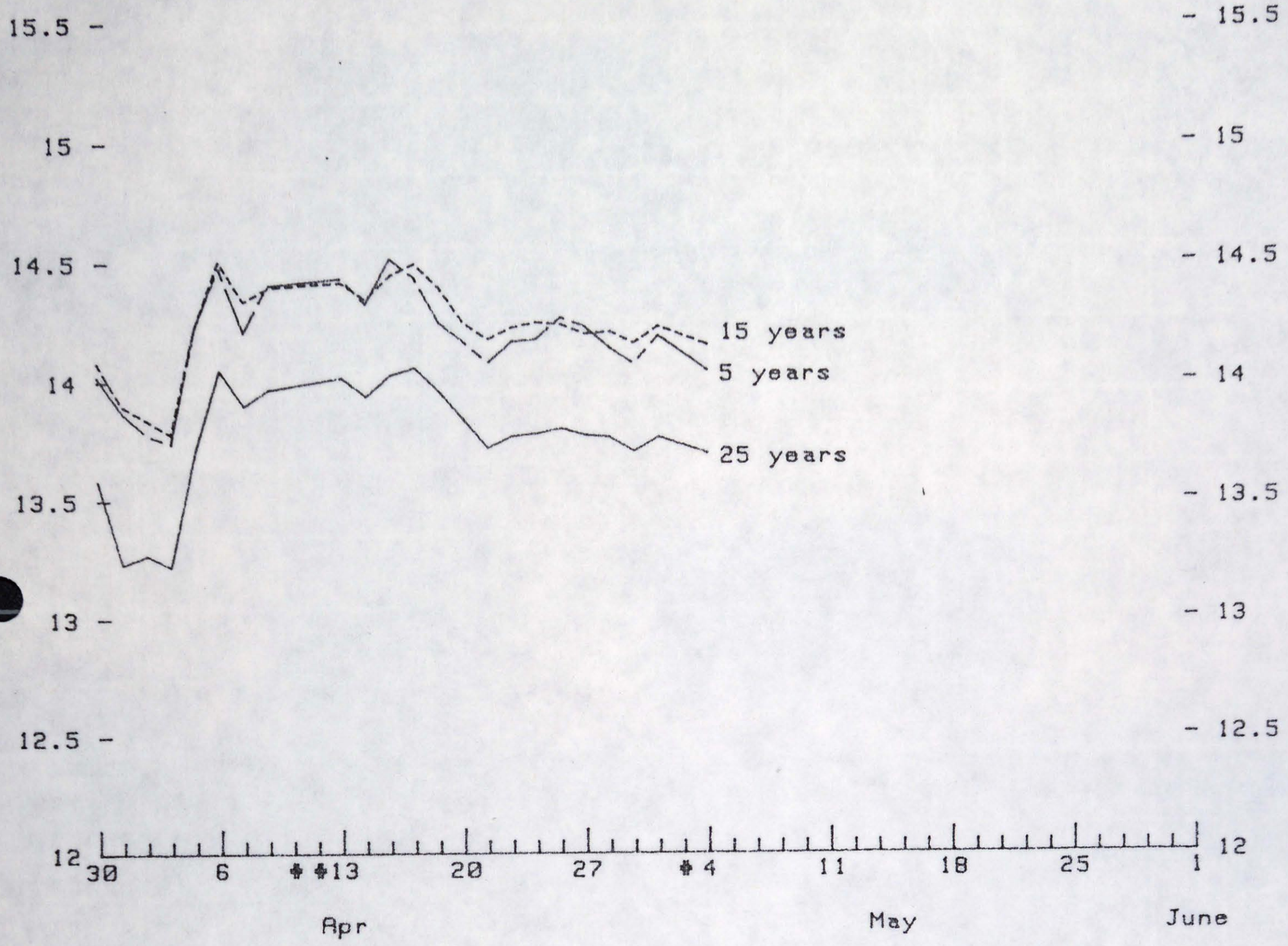
\*Includes +42 from balance due on 2% Index-Linked Treasury 1988

2. Redemption Yields (tax ignored)

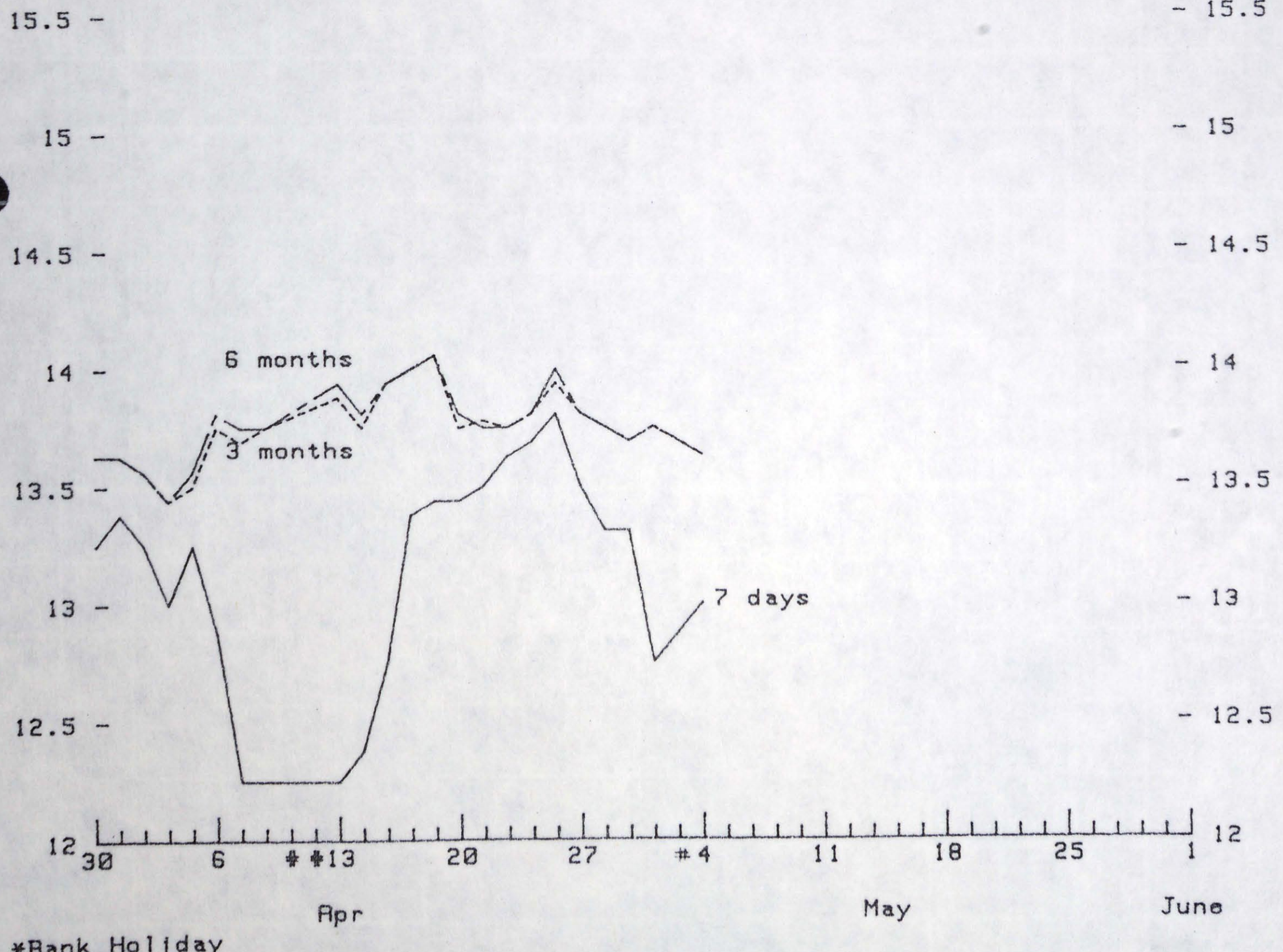
	<u>27 April</u>	<u>4 May</u>	<u>Change</u>
12% Treasury 1983	13.66	13.53	-0.13
15% Treasury 1985	13.94	13.74	-0.20
12% Treasury 1987	14.15	14.08	-0.07
11 3/4% Treasury 1991	14.40	14.34	-0.06
13 1/2% Treasury 1994	14.44	14.39	-0.05
2% Index-Linked			
Treasury 1996	3.03	3.10	+0.07
12 1/4% Exchequer 1999	13.99	13.93	-0.06
14% Treasury 1998/01	14.09	14.06	-0.03
12% Exchequer 2013/17	13.20	13.12	-0.08
3 1/2% War Loan (Flat Yield)	12.58	12.44	-0.14



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 <sup>o</sup>	<u>1,099</u>	<u>=</u>	<u>17</u>	<u>100</u>
Of which issues of 10 or more:				
Current week (6/5-7/5)	Carless Capel & Leonard Ltd (6/5) 15			
Week 2 (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 3 (17/5-21/5)				
Week 4 (24/5-28/5)	Grand Metropolitan Ltd (rights) (25/5) 100			Australia (offer for sale) (24/5) 100
Week 5 (1/6-4/6)				
Week 6 (7/6-11/6)	Hill Samuel Group Ltd (rights) (10/6) 15			
Week 7 (14/6-18/6)	Allied Suppliers Ltd (offer for sale) (17/6) 100			
Forthcoming	BSR Ltd (rights) (21/6) 20		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 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 Hadson Petroleum International plc (offer for sale) (3/8) 10 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	312	183
Issues completed: † (ie gross amounts of cash raised)	1979	979	150
	1980	945	358
	1981	1,720	561
	1982 to date	249	179

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

5 May 1982



