

Friday, 20th August, 1982.

The success of President Reagan's tax bill in the United States and the resulting moves in U.S. bonds reversed the downward movement in the Gilt-edged market. Prices opened very firmly with rises of up to  $\frac{3}{4}$  in the shorts and  $1\frac{1}{4}$  in the longs. Buying concentrated at the long end of the market and prices moved ahead quickly to record rises of up to 2 points. Shorts saw continued demand and the balance of the Exchequer  $10\frac{1}{2}\%$  1987 was sold out at  $\frac{3}{4}$  premium during the morning. This further encouraged prices which rose another  $\frac{1}{4}$ . Increasing demand for the longs pushed prices up to a further  $1\frac{1}{4}$  better, a move which was reflected in the short convertibles. During the afternoon prices slipped from their best but by the close shorts were still showing gains of up to  $\frac{3}{4}$  and longs of up to 3 points.

The Industrial market opened higher in response to a further overnight improvement on Wall Street. Lower American base rates and the hope of further domestic interest rate reductions encouraged sustained buying demand and prices closed around the best levels. Among otherwise firm Electricals, Plessey weakened on profit-taking following cautious press comment, while in secondary issues Kode declined on disappointing interim results. In the Building sector, Cement shares were lower with Blue Circle flat as worries persist over the Mexican economic situation. Breweries, Foods and Stores were better across a broad front on institutional investment support. Among Papers, Bowater eased on selling ahead of next month's figures. Oils hardened awaiting the outcome of the latest OPEC meeting. Kaffirs improved as the gold price increased substantially.

Financial Times Index (3.00 p.m.) 577.3 (up 7.6)

<u>C.N.D.</u>	Sales		NIL
	Purchases	£	251,000
	Nett Purchases on balance	£	251,000
<u>BANK</u>	Sales	£	78,188,000
	Purchases		NIL
	Nett Sales on balance	£	78,188,000