

## MARKETS

WEEK ENDED 1 SEPTEMBER 1982

## MONEY

The collection of Petroleum Revenue Tax yesterday produced the only substantial shortage in a week of otherwise rather easier money conditions. Daily shortages persisted, with commercial bill maturities the factor chiefly responsible, but the Exchequer position (apart from yesterday) was quite strongly in the market's favour. Movements in the note circulation had their customary effect around the bank holiday weekend.

The Bank provided assistance each day through the outright purchase of bills; on Thursday bills were also bought for later resale. The Bank's dealing rates for outright purchases were reduced on Thursday and Friday and they now stand at 10 5/8% in band 1, 10 1/2% in band 2, 10 3/8% in band 3 and 10 1/4% in band 4.

Period interbank rates were fairly steady before the weekend but showed a distinct firming after the weekend as the recent downward movement in US rates was reversed. Reductions in official US and European rates on Thursday, followed by announcements on Friday (effective Tuesday) of another 1/2 point cut in UK clearing banks' base rates, to 10 1/2%, had been widely discounted and had only a slight, and temporary, effect on period interbank rates. The three month rate rose 1/4 over the week, closing at 11%. The cuts in base rates and generally easier money conditions, however, allowed short interbank rates to fall each day except Wednesday. The seven day rate closed 1/2 down at 11 1/8%.

At the Treasury bill tender on Friday the average rate of discount fell 0.07 to 9.9176%.

## GILTS

After the significant advances of the previous fortnight, over the past week the market has experienced a period of rather nervous

consolidation with some limited profit-taking, but giving way to steadier conditions yesterday.

Sporadic profit-taking was evident last Thursday but the market rallied somewhat in the afternoon after a further reduction in intervention rates and signs of falling European interest rates. Tenders for 2 1/2% Index-Linked 2001 were on a modest scale and were allotted in full at a price of £94.

On Friday the clearers' base rate reductions had already been discounted by the market and the firmer tone established the previous afternoon gave way to further limited profit-taking. Although a slight improvement was seen later in the day, longs closed about one point lower.

After the holiday weekend, the market opened on a dull note following harder US rates, but the tone improved somewhat over the day with few sellers in evidence. Towards the close prices started to drift lower again as Wall Street opened nervously, and losses over the day were around 1/2 in shorts and longs.

Yesterday the market was quiet but displayed a steadier tone than of late with profit-taking giving way to limited buying. At the close selected longs were up to 3/4 better although mediums and shorts were generally little changed.

Over the week as a whole yields on shorts rose by 1/4%-3/8% (to yield around 11% on five year maturities) and those on longs by about 1/8% (to yield 11 3/8%-11 5/8% on 20 year maturities). Yields on indexed stocks rose only marginally to range from 2.82% (IG 2011) to 3.13% (IG 1988).

This morning: quiet and steady.

#### EQUITIES

The market moved ahead yesterday and last Thursday reflecting the advances on Wall Street, but each side of the holiday week-end was subdued by the continuing evidence of flat output in the UK.

Last Thursday news of another upwards surge on Wall Street boosted the market late in the day and the FT index gained 7.7 points. After a firm opening on Friday and despite the base rate reductions, prices eased back on a lack of buying interest ahead of the long weekend and the FT index closed 2.6 lower.

On Tuesday the market opened slightly easier reflecting concern at the latest CBI survey but a steadier tone developed during the day with the FT index only 0.8 lower at the close. Yesterday the renewed strength of Wall Street on Tuesday brought a return to firmer conditions and some buying interest developed. At the close the FT Index was 8.9 higher at 581.6 a rise of 13.2 points over the week as a whole.

This Morning: quiet and steady.

#### FOREIGN EXCHANGE

The dollar strengthened sharply over the week, with markets disappointed at the Fed's 1/2% cut in the discount rate and beginning to worry that money supply growth is leaving the Fed little opportunity to lower rates further. Sterling had a quiet week with the base rate cuts already discounted. Nevertheless, as a result of the stronger dollar, sterling's ERI fell 0.6 to 91.6.

This morning with the dollar slightly weaker sterling remains firm.

#### GOLD

Gold remained volatile following the sharp price rise the previous week. After fixing on Thursday at \$417.50, the price moved between a high of \$430 on Thursday and a low of \$395.50 on Friday. The final fixing on Wednesday was at \$405.25.

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