MARKETS

WEEK ENDED 15 SEPTEMBER 1982

MONEY

Money market conditions were again tight over most of the week. Except on Friday and yesterday, the shortages were almost entirely due to maturing commercial bills and unwinding repurchase agreements. The Exchequer position was roughly in balance until Tuesday when it was quite strongly favourable; yesterday it was a significant adverse factor.

The Bank provided assistance each day by the outright purchase of bills with the lowest dealing rates in each band unchanged. Yesterday bills were also bought for later resale.

As eurodollar rates began to firm again this week, period interbank rates followed, although they rose less sharply. The rises continued until Tuesday when rates eased marginally over the course of the day. Yesterday saw little change. The market was generally subdued throughout the week and trading was light. The 7 day interbank rate fell 1/16 over the week to close at 10 15/16% while the 3 month rate rose 3/16, also closing at 10 15/16%.

At the Treasury bill tender on Friday the average rate of discount rose by 0.21 to 9.9052%.

GILTS

Fears of higher US interest rates and the weakness of US bonds were unsettling influences on a market still trying to consolidate last month's gains. From Monday evening, however, the market began to move ahead on a more confident view of the Fed's stance.

An overnight improvement in US bonds led to a firmer tendency at Thursday's opening, but prices slipped back slightly following news of a larger than expected August CGBR. Revived worries about US interest rates and the weakness of US bonds caused prices to open 1/4-1/2 lower on Friday. With no buyers, the decline continued during the day and at the close shorts had fallen by up to 3/4 and longs by up to 1 3/8.

The market was further unsettled on Monday by the latest rise in US M_1, which had caused further weakness in US bonds in late trading on Friday. Prices opened sharply lower and after fluctuating during the day ended up to 9/16 down in shorts and 1 in longs. On Tuesday, however, the market took encouragement from a turn-around in sentiment in New York overnight as the Federal Reserve moved to ease liquidity. Prices opened 1/2-3/4 higher and although turnover remained low there was sufficient buying to produce further small gains during the day: at the close shorts had risen by up to 11/16 and mediums/longs by about 7/8.

Yesterday, the tone remained quietly steady and prices edged higher during the day to close with gains of up to 3/16 in shorts and 3/8 in longs.

Over the week as a whole yields on shorts rose by about 1/8% to 10 3/4-11 1/2% on five-year maturities and those on longs also by about 1/8% to 11 1/2-11 3/4% on 20-year maturities. Yields on the indexed stocks were up to 1/16% higher, ranging from 2.84% (IG 2011) to 3.25% (IG 1988).

This morning: steady.

EQUITIES

Conditions remained volatile during the week. Evidence of difficult trading in the recently firm electrical sector caused a major setback on Friday, but the market recovered most of the ground on the back of Wall Street. Yesterday, however, saw a renewed deterioration in sentiment on rumours of a major industrial company in difficulties and a collection if disappointing company statements.

Wednesday saw a dull performance in the wake of Wall Street's overnight setback, but prices moved ahead the following day with the FT 500 and All-Share Indices reaching new all-time highs. On Friday, sentiment was undermined by a gloomy statement by Thorn-EMI and poor results from BSR. Prices fell back sharply, particularly in the electrical sector, and the 30-Share Index lost 15.9 points, its largest single-day loss since 28 September of last year.

Prices continued to decline, albeit on a smaller scale, after the weekend but Wall Street's rally after initial weakness provided some support on Monday afternoon. With the recovery in US equities having been confirmed overnight, the market opened sharply higher on Tuesday. Electricals staged a recovery after Friday's setback and stores were firm following the latest rise in retail sales. With Wall Street coming in firm again in the afternoon the 30-Share Index closed 14.1 higher.

Yesterday, however, sentiment worsened again on rumours that a major industrial company was in difficulties and a series of disappointing trading statements. Although prices steadied later in the day, the 30-Share Index closed 9.5 lower at 576.2, a fall of 11.4 over the week. The 500-Share Index ended at 392.20, down 4.45 over the week.

This morning: slightly firmer.

FOREIGN EXCHANGE

More stable conditions in US domestic markets produced a quieter week for the dollar. Attention switched to Europe, where pressure on the Danish crown and French franc raised once again the possible need for an early realignment of the EMS. Sterling remained generally on the sidelines and the ERI was unchanged at 91.7.

This morning, following a strengthening of the dollar in New York last night, markets are quiet.

GOLD

After a volatile start to the week which saw the price at a new high of $513.50 in the Far East, relative peace returned to the gold market and gold moved down to trade for the rest of the week in a narrow range around $450. The final fixing on Wednesday was $443.25.

16 September 1982

Per cent Time / Yield Curves of British Government Stocks 15TH September 1982