# White knight for Steetley

Rufus Olins

ECC, formerly English China Clays, may soon emerge with a £600m white-knight bid for Steetley that could snatch the building-materials group from the grasp of Redland.

Twelve days ago Sir Colin Corness, chairman of Redland, launched a £554m hostile bid for Steetley. But ECC, led by Andrew Teare, its ambitious chief executive, has held talks with Steetley which City sources believe could trigger an agreed offer.

Teare is keen to add Steetley's valuable aggregates interests to his own reserves, which make ECC the world's largest supplier of china clay.

ECC is known to have been watching Steetley closely before Redland pounced. Redland aims to prevent Steetley merging its bricks business with that of Tarmac. But City sources say a Steetley-ECC deal may not rule out the joint venture. Steetley has 12% of the brick market. Tarmac and Redland have 6% each.

Redland's bid values Steetley at 354.5p a share, compared with its current price of 335p. Redland's shares have fallen from 453p to 416p since the bid was announced on December 10.

*Teare: possible white knight*

# ERM crisis puts pressure on pound

David Smith

THE pound faces selling pressure in the new year as speculation grows of a realignment of currencies in the European exchange-rate mechanism (ERM) following last week's interest-rate moves by the Bundesbank and the Federal Reserve Board.

The Fed's discount-rate cut, to a 27-year low of 3.5%, has underlined how ERM membership has limited Britain's room for manoeuvre when faced with economic circumstances similar to those of America.

Analysts believe that sterling's muted reaction to the Bundesbank's half-point rise in official interest rates last week was explained by dealers winding down their books and by a sharp rise in London money-market rates.

They also see political pressure growing in Britain, France and Italy for a revaluation of the D-mark, which would ease pressure on the other ERM currencies. France may have to raise official interest rates again. Bundesbank officials said last week they wanted to see a strong D-mark, although they stressed their commitment to the current ERM parities.

A technical squeeze in the money markets pushed up the three-month interbank rate to 11% on Friday, consistent with a half-point rise in base rates from the present 10.5%. Bank of England officials said the money-market problems were temporary and rates should ease back in January.

Mike Gallagher, economist at IDEA, the financial market consultant, predicted market speculation of an early ERM realignment would build up strongly in January. The Bundesbank was imposing a high-interest-rate squeeze, he said.

European Community leaders were keen to maintain the parities in the run-up to the Maastricht summit but, after the agreement there, the case for "one final realignment" before monetary union had grown, he added.

A general ERM realignment would give Norman Lamont, the chancellor, room for manoeuvre on interest rates, without losing face. Gerard Lyons, economist at DKB International, said: "The D-mark is going to rise strongly and Lamont's only way out is a significant realignment."

Bill Martin, of UBS-Phillips & Drew, said: "There is a whiff of panic in the government and all the makings are there for a sterling crisis."

● The Uruguay Round of the General Agreement on Tariffs and Trade (Gatt) is faced with a final and damaging collapse this weekend. New proposals by Arthur Dunkel, the Gatt secretary-general, seem certain to be rejected by Europe, Japan and America.

The proposals, contained in a 450-page draft document, recommend big cutbacks in agricultural subsidies. Ray MacSharry, the European farm commissioner, said: "There are still substantial differences between the United States and the European Community." And Carla Hills, the US trade representative, declared: "No agreement is better than a bad agreement."

EC agriculture ministers will meet tomorrow in an attempt to resolve the deadlock. All 108 members of the Gatt are due to meet on January 13, after the end-year deadline set in the summer by the Group of Seven for the completion of the round. A collapse of the Gatt round, which has lasted five years, will add to fears of a worldwide economic slump.