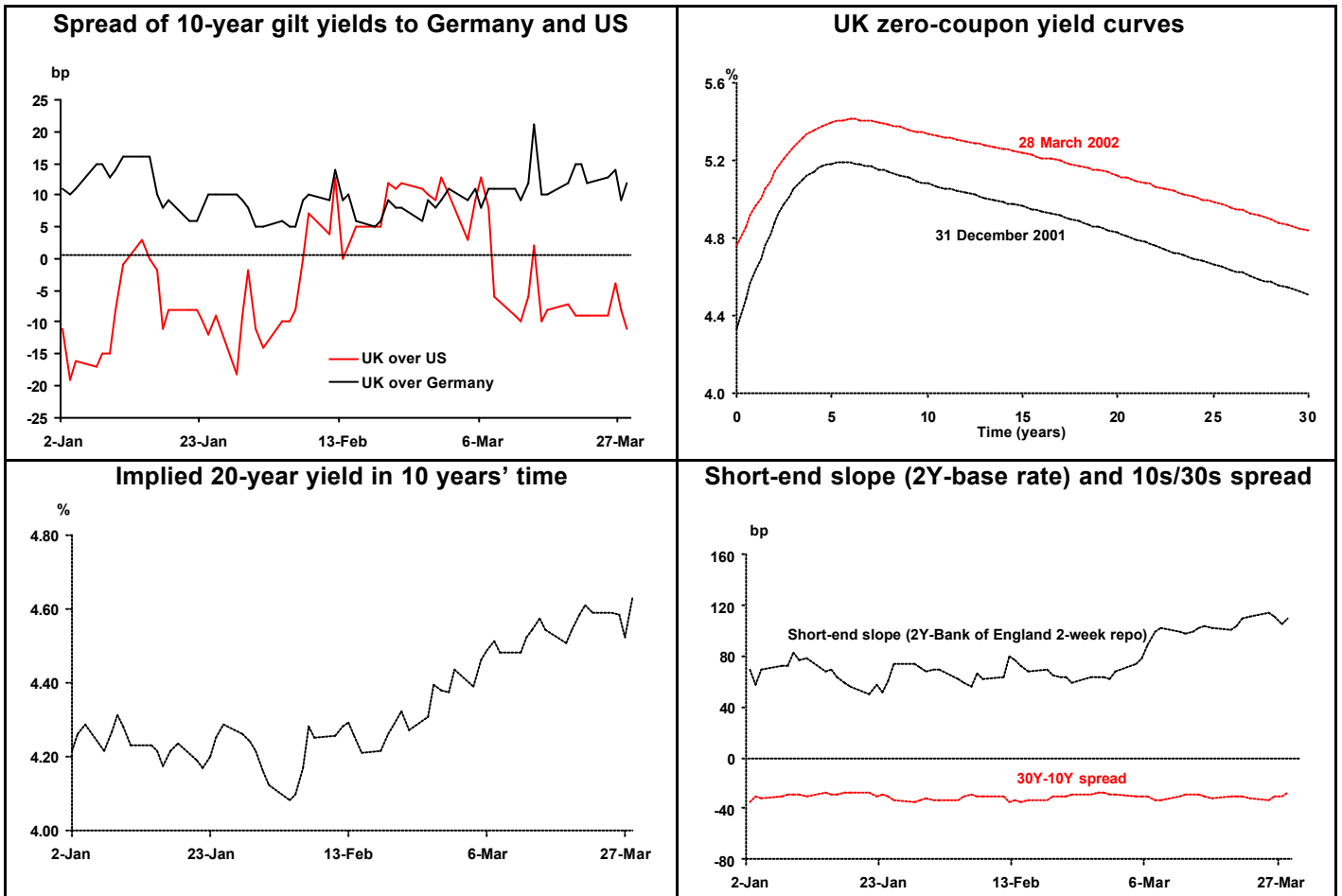




Quarterly Review

January - March 2002

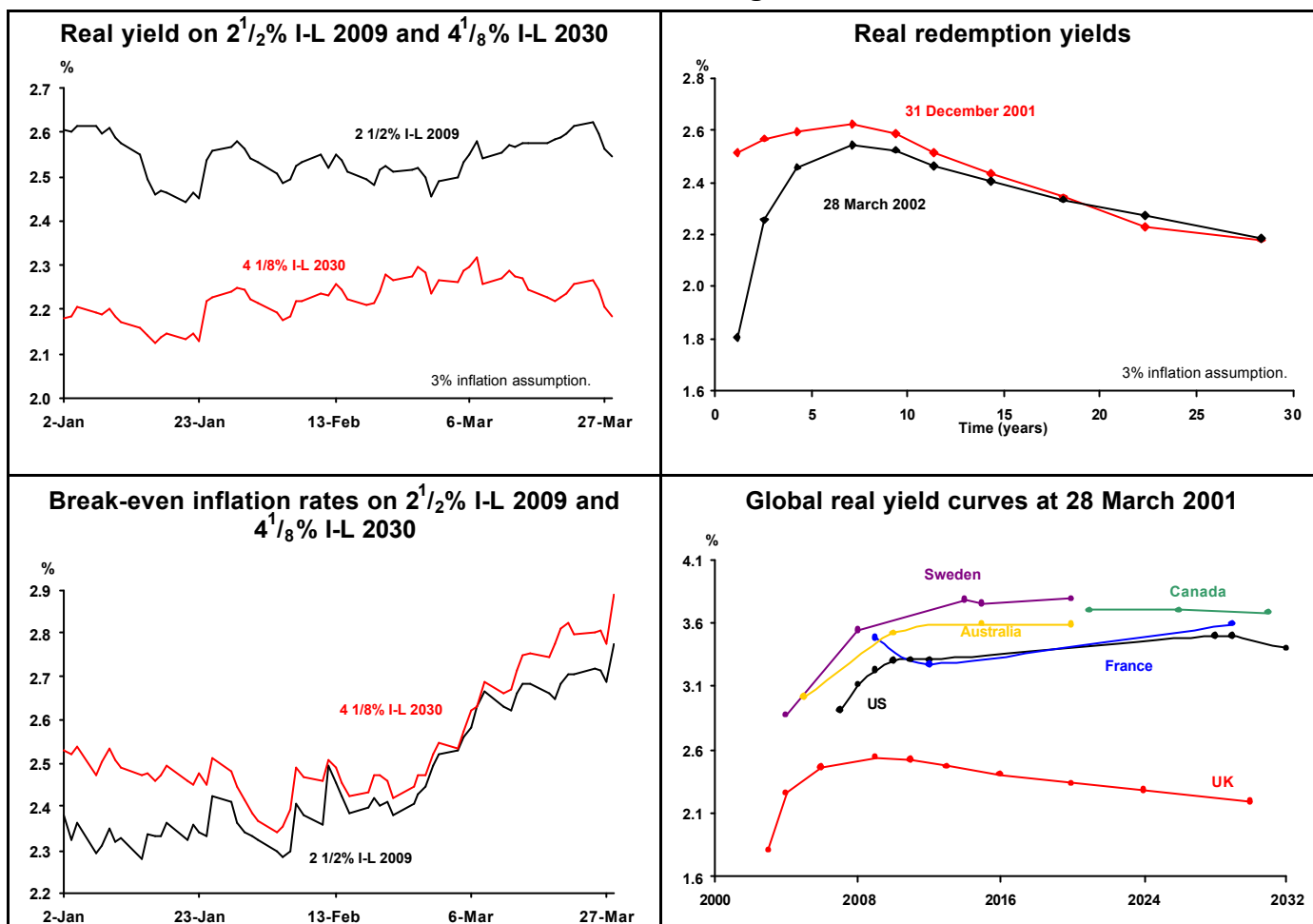
Conventional gilts



The Bank of England kept its repo rate at 4.00% throughout the quarter and by the end of March rates had been left unchanged at four consecutive MPC meetings. This, along with signs of continued consumer strength in the UK and some positive data from the United States, created an expectation that the next move in UK policy rates would be upward. As a result the short-end of the yield curve extended the steepening trend already evident towards the end of Q4 2001. During the quarter the spread of the 2-year yield over the Bank's repo rate increased from +69.3bp to +109.5p. The increase in ultra-long yields during the period resulted in a flattening of the curve at longer maturities; at the start of the quarter the spread of 30-year yields over 10-year yields was -33.9bp but this increased to -27.5bp by the end of the period. The spreads of 10-year gilt yields versus the United States and Germany were relatively unchanged on the quarter; against the 10-year US Treasury this spread both opened and ended the quarter at -11bp while the spread to Germany in this area of the curve remained close to its average over the quarter, at +10bp. The implied 20-year yield in 10 years' time fell 16bp from the start of the year to 4.08% by the beginning of February, but subsequently increased during the remainder of the quarter to finish at 4.63%.

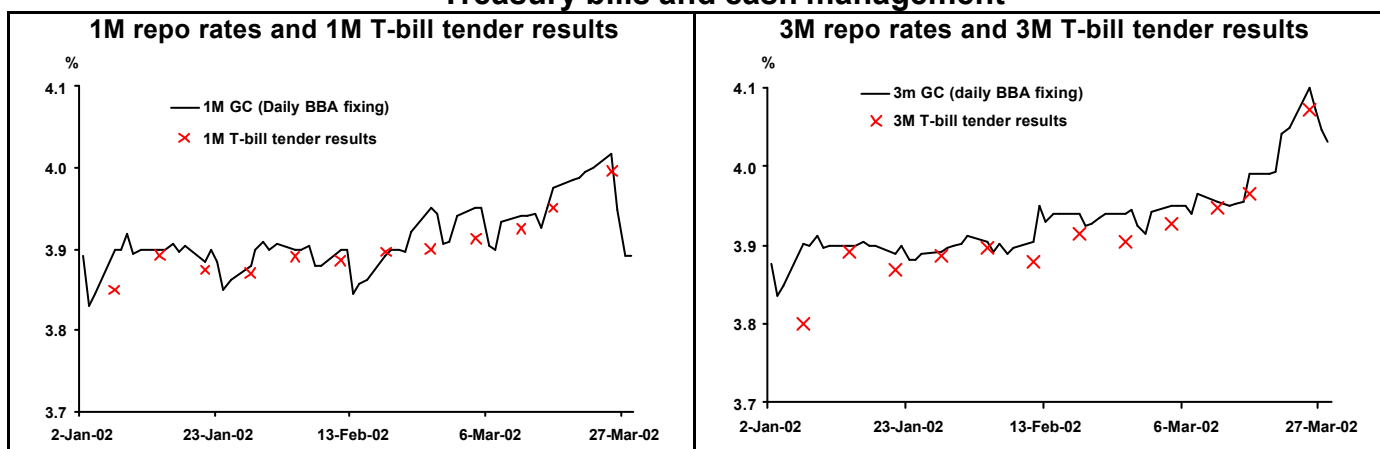


Index-linked gilts



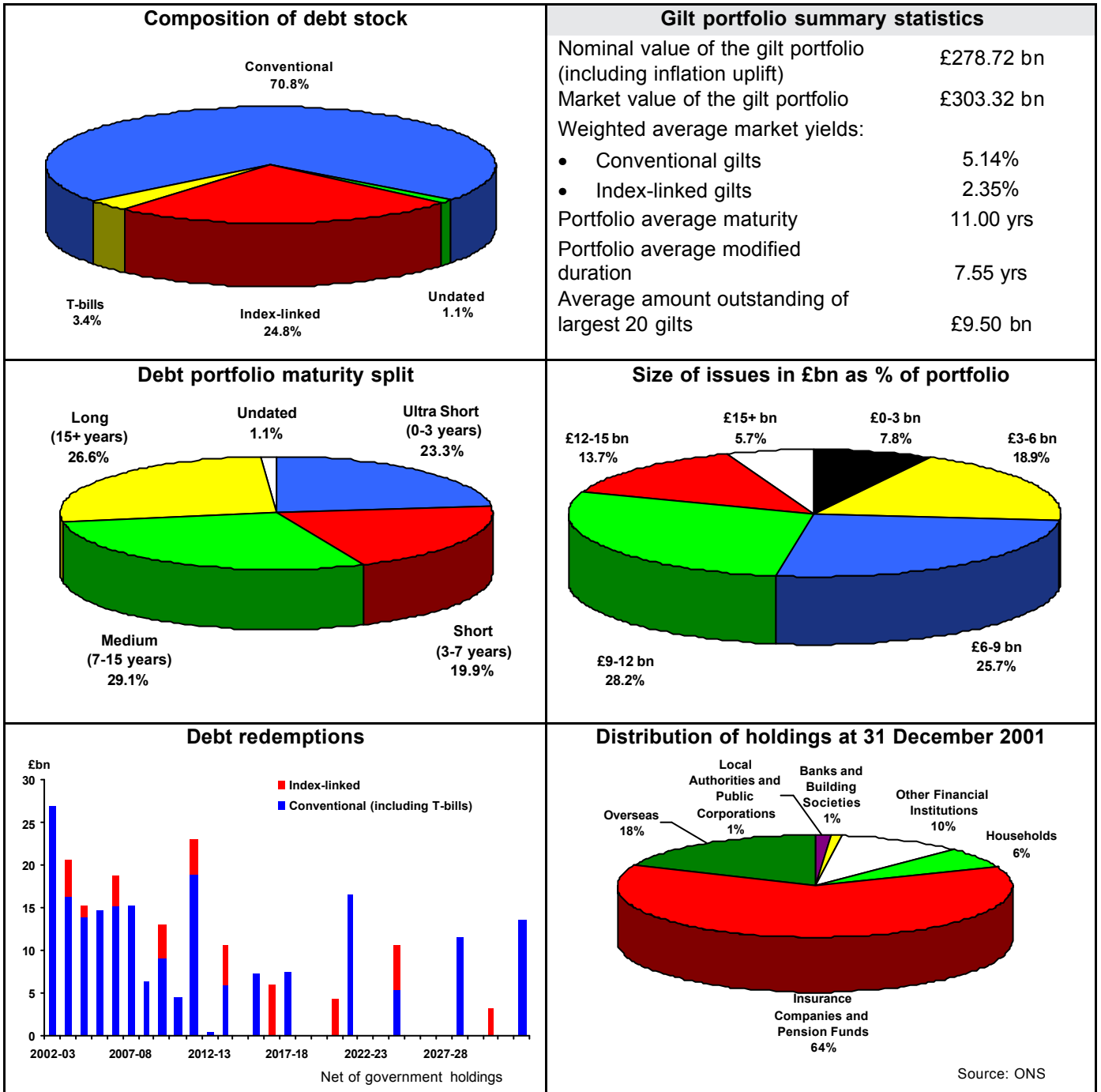
As with conventional gilts, the short-end of the real yield curve slightly outperformed longer maturities during the quarter. The real yield on the 2½% I-L 2009 gilt fell 6bp, finishing the period at 2.54%; in contrast, the real yield on the 4⅛% I-L 2030 remained unchanged at 2.18% over the quarter. Index-linked gilts across the curve outperformed conventional gilts; the break-even inflation rate in the 2009 sector of the curve increased 39bp to 2.77% and in the 2030 area it increased 36bp to 2.89%.

Treasury bills and cash management



Weekly tenders of 1-month and 3-month T-bills were maintained throughout the quarter. The size of the 3-month T-bill tenders was decreased from £700mn on 4 January to £600mn on 11 January and £400mn thereafter. Weekly 1-month T-bill tender sizes peaked during March at £1bn. This pattern of T-bill issuance reduced the overall stock of T-bills from £11.2bn on 31 December 2001 to £9.7bn on 28 March 2002. During the period 1-month bills were sold at an average 1.97bp below the repo rate and 3-month bills at an average of 2.73bp lower than the corresponding repo rate.

Details of the debt portfolio as of 28 March 2002



In the pie charts figures may not sum due to rounding

2001-02 and 2002-03 financing requirements

Figures may not sum due to rounding	Budget 2001 Financing requirement for 2001-02	PBR 2001 Financing requirement for 2001-02	2001-02 Outturn	Budget 2002 Financing requirement for 2002-03
CGNCR forecast	0.3	6.3	2.9	13.5
Replacing foreign currency debt	1.3	1.3	1.2	0.0
Redemptions	17.8	17.8	17.8	17.0
Debt buy-backs	1.0	0.5	0.6	0.0
Financing requirement	20.4	25.9	22.5	30.5
Less				
National Savings contribution	-3.0	0.0	-0.2	-1.5
DMO cash deposit at Bank of England	0.3	0.3	0.4	-0.1
Net financing requirement	23.1	25.6	22.3	32.1
Change in Ways and Means	0.0	0.0	0.0	0.0
Change in planned Treasury bill stock	5.0	6.4	6.4	4.3
Change in level of DMO cash position	4.6	5.2	2.2	5.4
Gilt sales planned during year	13.5	14.0	13.7	22.4

Gilt auction results Q1 2002

Outright auction results						
Auction date	Issue amount (nominal)	Stock	Cover	Yield tail	Average accepted price	Yield at average price
24-Jan-02	£500mn	4 1/8% I-L 2030	1.98	N/A ^a	£176.35	2.23%
27-Mar-02	£2,250mn ^b	5% 2012	3.26	0	£98.01	5.26%

^a Index-linked gilts are issued through a uniform price format
^b An additional £50mn nominal was created and issued to the CRND

Outturn against the 2001-02 gilts remit as at 28 March 2002

(£mn)	Conventional gilts			Index-linked gilts	Total
	Short (0-7 years)	Medium (7-15 years)	Long (>15 years)		
Remit plans	0	4,750	5,500	3,750	14,000
Final outright sales	0	4,670	5,388	3,597	13,656
Remaining	-	-	-	-	-

Treasury bill tender results Q1 2002

Tender date	Stock amount (£mn)	Average yield (%)	Average price (£)	Cover	Yield tail (bp)
1 month T-bills					
4-Jan-02	1000	3.8497	99.7056	6.78	0
11-Jan-02	1000	3.8923	99.7023	6.79	0
18-Jan-02	500	3.8740	99.7037	7.43	1
25-Jan-02	150	3.8693	99.7041	8.83	0
1-Feb-02	150	3.8900	99.7025	9.10	0
8-Feb-02	150	3.8868	99.7027	9.01	0
15-Feb-02	150	3.8960	99.7020	8.83	0
22-Feb-02	300	3.9000	99.7017	7.88	0
1-Mar-02	700	3.9123	99.6901	5.91	0
8-Mar-02	1000	3.9250	99.6998	6.65	1
15-Mar-02	1000	3.9500	99.6979	7.24	0
22-Mar-02	1000	3.9960	99.6944	6.14	0
28-Mar-02	500	3.9400	99.7094	6.07	1
3 month T-bills					
4-Jan-02	700	3.8000	99.0615	6.64	0
11-Jan-02	600	3.8935	99.0386	6.77	0
18-Jan-02	400	3.8681	99.0448	7.33	0
25-Jan-02	400	3.8865	99.0403	7.53	1
1-Feb-02	400	3.8976	99.0271	6.45	2
8-Feb-02	400	3.8790	99.0422	6.96	0
15-Feb-02	400	3.9139	99.0336	6.85	1
22-Feb-02	400	3.9040	99.0361	7.95	2
1-Mar-02	400	3.9269	99.0094	6.30	0
8-Mar-02	400	3.9488	99.0251	7.49	0
15-Mar-02	400	3.9663	99.0208	8.36	1
22-Mar-02	400	4.0720	98.9950	7.31	1
28-Mar-02	400	4.0400	99.0137	6.46	0

Details of market turnover

Top twenty stocks traded (by market value) in the thirteen weeks to 28 March 2002

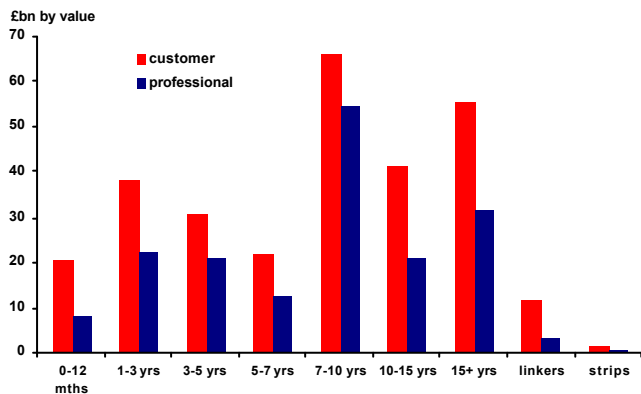
Stock	Market value of trades (£mn)	% of value of all gilt trades	Turnover Ratio ^a	Number of bargains ('000s)	Average bargain size (£mn)
9% Conversion 2011	87,336	17%	12.68	4	20
5% Treasury 2012	57,232	11%	4.32	12	5
6% Treasury 2028	36,242	7%	2.66	7	6
7½% Treasury 2006	30,559	6%	2.36	8	4
8% Treasury 2021	25,629	5%	1.12	6	4
4¼% Treasury 2032	24,303	5%	1.94	6	4
8½% Treasury 2005	23,207	4%	1.99	5	5
5¼% Treasury 2009	22,886	4%	2.48	11	2
7¼% Treasury 2007	22,802	4%	1.87	9	3
6½% Treasury 2003	22,617	4%	2.74	4	5
6¾% Treasury 2004	22,498	4%	3.29	5	4
7% Treasury 2002	22,205	4%	2.44	2	11
8% Treasury 2015	21,967	4%	2.32	5	4
5% Treasury 2004	15,133	3%	2.03	5	3
6¼% Treasury 2010	11,134	2%	2.14	3	4
8% Treasury 2003	9,733	2%	1.33	3	4
9% Treasury 2008	9,140	2%	1.37	2	4
5% Treasury 2025	7,884	2%	1.46	1	6
8% Treasury 2013	7,384	1%	0.96	2	5
9¾% Treasury 2002	6,818	1%	1.01	1	11
Total market	519,772			130	4

The top twenty stocks account for 94% of total market turnover.

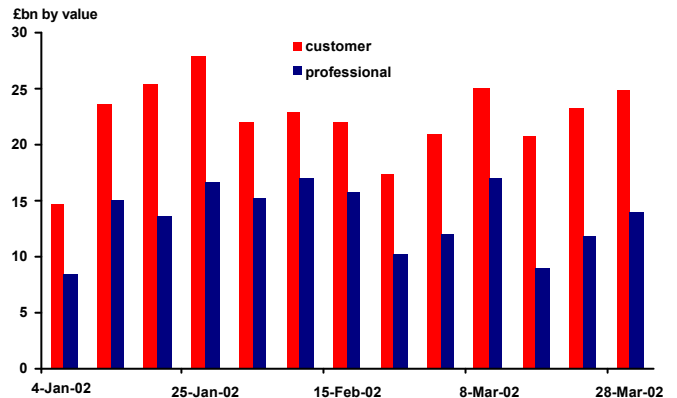
This information is based on provisional information provided by the London Stock Exchange and should only be treated as indicative.

^a The total nominal value of the stock traded over the quarter relative to the nominal amount outstanding at the end of quarter.

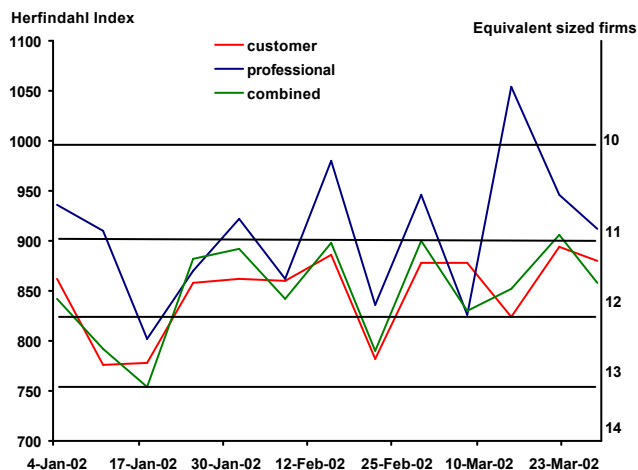
GEMM turnover by maturity band, Q1 2002



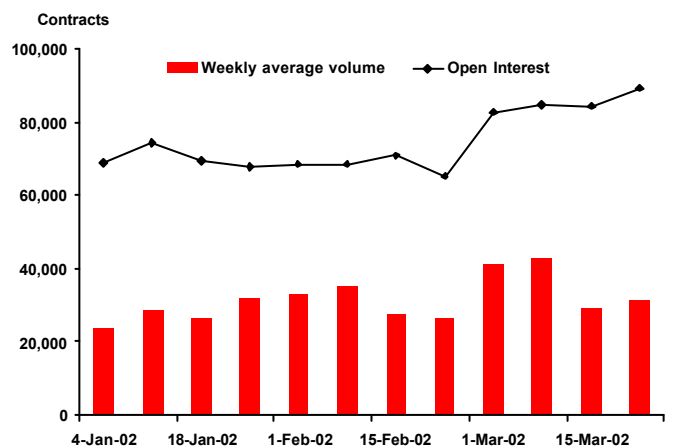
Total GEMM market turnover (weekly total)



Herfindahl index of total GEMM market turnover



Average daily turnover of the long gilt futures contract and open interest*



* Weekly average of daily turnover and end-week level of open interest

Stocks in issue at 28 March 2002 (£mn nominal)

Conventional gilts	Redemption date	Amount in issue	Amount held in stripped form	DMO/NILO* holdings
7% Treasury 2002	7-Jun-02	9012	94	230
9¼% Treasury 2002	27-Aug-02	6538	-	349
8% Treasury 2002-2006	5-Oct-02	2064	-	228
8% Treasury 2003	10-Jun-03	7014	-	433
10% Treasury 2003	8-Sep-03	1783	-	15
6½% Treasury 2003	7-Dec-03	8002	50	223
5% Treasury 2004	7-Jun-04	7423	10	380
3½% Funding 1999-2004	14-Jul-04	561	-	50
6¼% Treasury 2004	26-Nov-04	6515	-	388
9½% Conversion 2005	18-Apr-05	4388	-	14
8½% Treasury 2005	7-Dec-05	10396	138	215
7¼% Treasury 2006	8-Sep-06	3874	-	351
7½% Treasury 2006	7-Dec-06	11721	215	189
8½% Treasury 2007	16-Jul-07	4554	-	278
7¼% Treasury 2007	7-Dec-07	11022	97	154
5½% Treasury 2008-2012	10-Sep-08	1026	-	182
9% Treasury 2008	13-Oct-08	5463	-	22
5¼% Treasury 2009	7-Dec-09	8856	21	271
6¼% Treasury 2010	25-Nov-10	4778	-	297
9% Conversion 2011	12-Jul-11	5303	-	112
7¼% Treasury 2012-2015	26-Jan-12	806	-	340
5% Treasury 2012	7-Mar-12	13285	-	97
8% Treasury 2013	27-Sep-13	6107	-	311
8% Treasury 2015	7-Dec-15	7300	364	94
8¼% Treasury 2017	25-Aug-17	7578	-	206
8% Treasury 2021	7-Jun-21	16507	291	112
5% Treasury 2025	7-Mar-25	5279	-	32
6% Treasury 2028	7-Dec-28	11537	113	90
4¼% Treasury 2032	7-Jun-32	13601	40	22
Index-linked gilts	Redemption date	Amount in issue	Nominal including inflation uplift	DMO/NILO* Holdings
2½% I-L Treasury 2003	20-May-03	2705	5952	160
4 3/8% I-L Treasury 2004	21-Oct-04	1309	1673	90
2% I-L Treasury 2006	19-Jul-06	2006	5003	6
2½% I-L Treasury 2009	20-May-09	2634	5796	35
2½% I-L Treasury 2011	23-Aug-11	3886	9033	14
2½% I-L Treasury 2013	16-Aug-13	4650	9034	32
2½% I-L Treasury 2016	26-Jul-16	5985	12708	99
2½% I-L Treasury 2020	16-Apr-20	4188	8748	13
2½% I-L Treasury 2024	17-Jul-24	5331	9459	41
4 1/8% I-L Treasury 2030	22-Jul-30	3114	3994	14
Undated gilts (non rump)	Redemption date	Amount in issue		DMO/NILO* Holdings
2½% Treasury	Undated	493		22
3½% War	Undated	1939		30
Rump gilts	Redemption date	Amount in issue		DMO/NILO* Holdings
9½% Conversion 2002	14-Jun-02	3		2
9% Exchequer 2002	19-Nov-02	83		67
11¼% Treasury 2003-2007	22-Jan-03	234		78
9¼% Conversion 2003	07-May-03	12		10
12½% Treasury 2003-2005	21-Nov-03	152		52
13½% Treasury 2004-2008	26-Mar-04	96		22
10% Treasury 2004	18-May-04	20		6
9½% Conversion 2004	25-Oct-04	307		136
10½% Exchequer 2005	20-Sep-05	24		16
9¼% Conversion 2006	15-Nov-06	6		3
8% Treasury 2009	25-Sep-09	393		77
9% Treasury 2012	6-Aug-12	403		120
12% Exchequer 2013-2017	12-Dec-13	58		2
2½% Annuities	Undated	3		0
3% Treasury	Undated	53		6
3½% Conversion	Undated	93		73
2½% Consolidated	Undated	275		46
2¾% Annuities	Undated	1		0
4% Consolidated	Undated	358		22

It is assumed that double-dated issues currently trading above par will be called at the first maturity date.

* Includes holdings by the National Investments and Loans Office (NILO) and the DMO. Excludes local authority, public corporations and Bank of England holdings.

Calendar for Q2 2002

Date	April	May	June
1			
2			
3		T-bill tender	
4			
5	T-bill tender		
6			
7			T-bill tender
8			
9			
10		T-bill tender	
11			
12	T-bill tender		
13			
14			T-bill tender
15			
16	Announcement of size of 2½% I-L 2020 auction to be held on 24 April		
17	2002-03 Budget Statement	T-bill tender	GEMM and end-investor consultation meetings to be held at the DMO's office
18			Announcement of coupon and size of conventional 2008 gilt auction to be held on 25 June and consultation meeting minutes published.
19	T-bill tender		
20			
21		Announcement of size of 5% 2025 auction to be held on 29 May	T-bill tender
22			
23			
24	Auction of 2½% I-L 2020	T-bill tender	
25			Auction of conventional 2008 gilt
26	T-bill tender		
27			
28			T-bill tender
29		Auction of 5% 2025	
30			
31		T-bill tender	

DMO wire services

Information	Reuters/Bridge/ADP	Telerate	Topic	Bloomberg
Index	DMO/INDEX			DMO<GO>
Announcements	DMO/GILTS1 to 7	22550 to 22556	44700 to 44710	DMO1<GO>
Shop window general info	DMO/GILTS8	6515	44715	DMO2<GO>
Shop window 1	DMO/GILTS9	6516	44716	DMO3<GO>
Shop window 2	DMO/GILTS10	6517	44717	DMO4<GO>
Shop window 3	DMO/GILTS11	6518	44718	DMO5<GO>
Benchmark prices	DMO/BENCH1	22557	44720 to 44721	DMO10<GO>
GEMMA ref prices (Conventionals)	GEMMA01 to 04	47216 to 47219	44800 to 44802	DMO6<GO>
GEMMA ref prices (I-L)	GEMMA08	47223	44805	DMO6<GO>
GEMMA ref prices (Strips)	GEMMA13 to 21	21291 to 21299	44850 to 44863	DMO7<GO>
Cash announcements	DMO/CASH01	15700 to 15709	44660 to 44669	DMO9<GO>
T-bill tender information	DMO/CASH11	15710 to 15711	44670 to 44671	DMO9<GO>
Ad-hoc tender information	DMO/CASH16	15715 to 15716	44675 to 44676	DMO9<GO>

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Updated data, press releases and other information are available on the DMO web site at www.dmo.gov.uk
Comments on this publication and the web site would be welcomed by either Richard Batley or Mark Deacon.

Response to the EU Savings Directive: Preserving Gilt Fungibility

On 1 March 2002 HM Treasury issued to the United Kingdom Debt Management Office (DMO) additional nominal amounts of each gilt-edged stock. This possibility was foreshadowed in the Exchequer cash management remit given by the Treasury to the DMO. The overall nominal total issued was £691.0 million, with the increase in the size of each gilt ranging from £0.25 million to £30 million in conventionals and from £5 million to £15 million for index-linked gilts. The amounts were chosen to have a negligible effect on relevant indices.

These further issues are being made so that all gilt-edged securities, irrespective of when they were originally issued, will fall within the terms of the draft EU Savings Directive as set out in Article 15. To ensure fungibility of strips on 1 March 2002 the DMO stripped and then reconstituted a nominal amount of each of the stripable bonds issued in this operation.

These further issues are being held on the Debt Management Account by the DMO and will be used for use as collateral in its cash management operations. For a period of 6 months these new issues will be used only in Delivery By Value (DBV) transactions.

The amounts of the further issues (rounded to the nearest £1 million nominal) are shown below:

Conventional gilts	In issue 28 February 2002	Reopening	In issue 1 March 2002
7% Treasury 2002	9000	12	9012
9¾% Treasury 2002	6527	11	6538
8% Treasury 2002-2006	2050	14	2064
8% Treasury 2003	6999	15	7014
10% Treasury 2003	1768	15	1783
6½% Treasury 2003	7987	15	8002
5% Treasury 2004	7408	15	7423
3½% Funding 1999-2004	543	18	561
6¾% Treasury 2004	6500	15	6515
9½% Conversion 2005	4374	14	4388
8½% Treasury 2005	10373	23	10396
7¾% Treasury 2006	3857	17	3874
7½% Treasury 2006	11700	21	11721
8½% Treasury 2007	4530	24	4554
7¼% Treasury 2007	11000	22	11022
5½% Treasury 2008-2012	1000	26	1026
9% Treasury 2008	5441	22	5463
5¾% Treasury 2009	8827	29	8856
6¼% Treasury 2010	4750	28	4778
9% Conversion 2011	5273	30	5303
7¾% Treasury 2012-2015	800	6	806
5% Treasury 2012	10979	6	10985
8% Treasury 2013	6100	7	6107
8% Treasury 2015	7288	12	7300
8¾% Treasury 2017	7550	28	7578
8% Treasury 2021	16500	7	16507
5% Treasury 2025	5250	29	5279
6% Treasury 2028	11512	25	11537
4¼% Treasury 2032	13580	21	13601
Index-linked gilts			
2½% I-L Treasury 2003	2700	5	2705
4 3/8% I-L Treasury 2004	1300	9	1309
2% I-L Treasury 2006	2000	6	2006
2½% I-L Treasury 2009	2625	9	2634
2½% I-L Treasury 2011	3875	11	3886
2½% I-L Treasury 2013	4635	15	4650
2½% I-L Treasury 2016	5971	14	5985
2½% I-L Treasury 2020	4175	13	4188
2½% I-L Treasury 2024	5320	11	5331
4 1/8% I-L Treasury 2030	3100	14	3114
Undated gilts (non rump)			
2½% Treasury	471	22	493
3½% War	1909	30	1939
Rump gilts			
10% Conversion 2002	21	0.25	21
9½% Conversion 2002	2	0.25	3
9% Exchequer 2002	83	0.25	83
11¾% Treasury 2003-2007	234	0.25	234
9¾% Conversion 2003	11	0.25	12
12½% Treasury 2003-2005	152	0.25	152
13½% Treasury 2004-2008	95	0.25	96
10% Treasury 2004	20	0.25	20
9½% Conversion 2004	307	0.25	307
10½% Exchequer 2005	23	0.25	24
9¾% Conversion 2006	6	0.25	6
8% Treasury 2009	393	0.25	393
9% Treasury 2012	403	0.25	403
12% Exchequer 2013-2017	57	0.25	58
2½% Annuities	3	0.25	3
3% Treasury	53	0.25	53
3½% Conversion	94	0.25	95
2½% Consolidated	275	0.25	275
2¾% Annuities	1	0.25	1
4% Consolidated	357	0.25	358