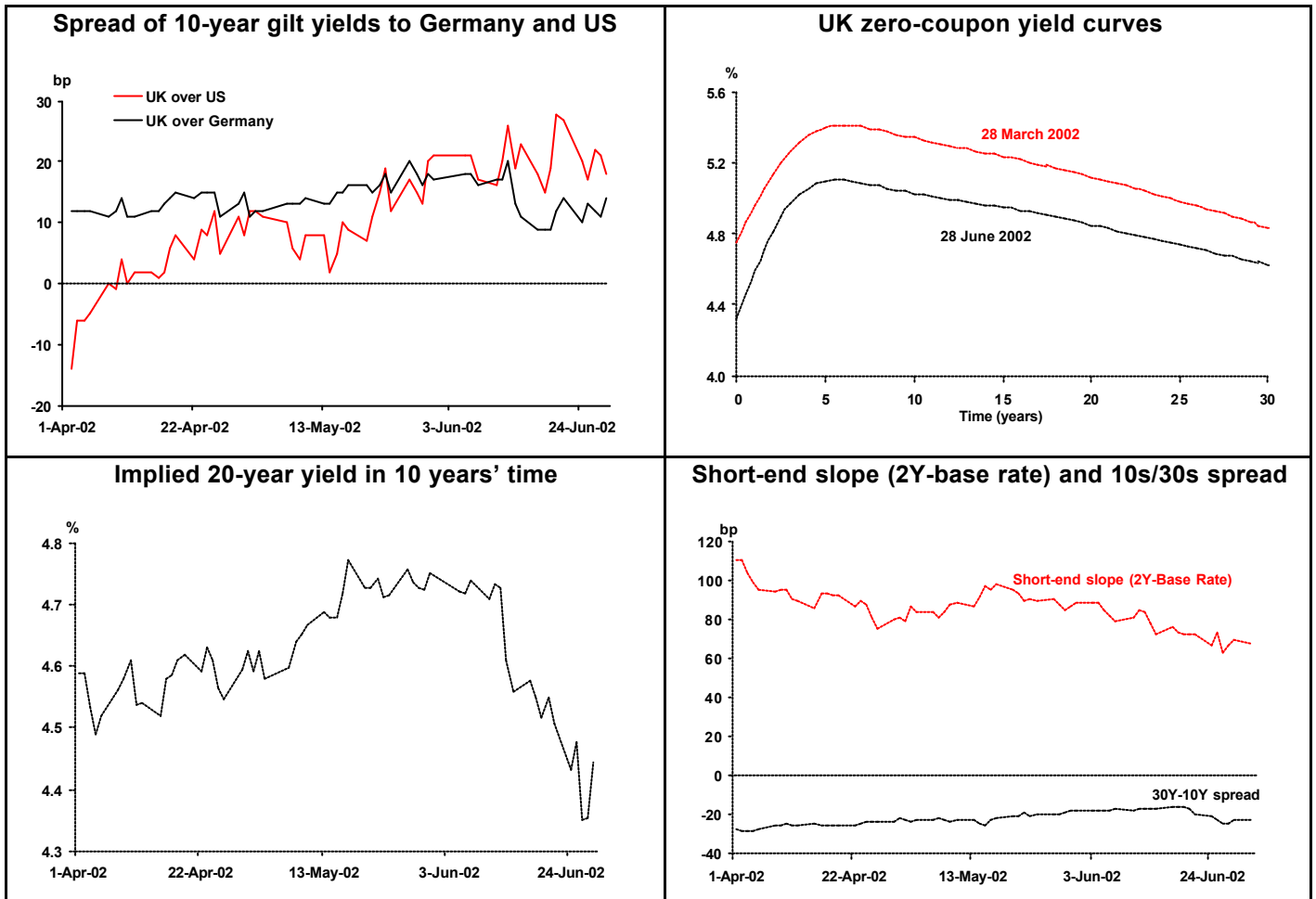




Quarterly Review

April - June 2002

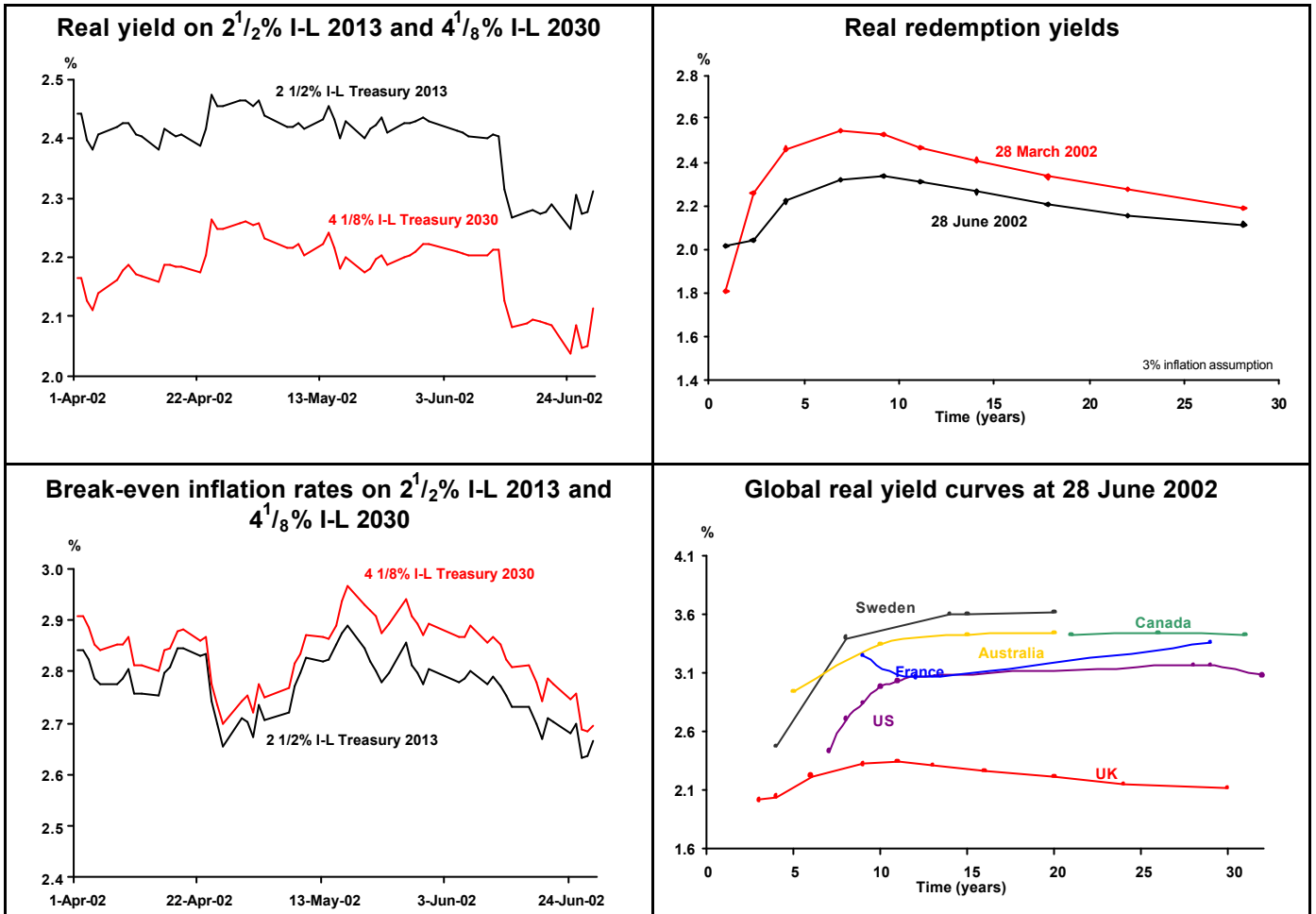
Conventional gilts



The Bank of England kept its repo rate at 4.00% throughout the quarter and by the end of June this rate had been left unchanged at seven consecutive MPC meetings. Less positive economic data from the eurozone, the US and the UK, along with poor equity market performance, served to reduce expectations of an early increase in Bank of England policy rates. As a result the short-end of the yield curve retraced some of the steepening trend evident during Q1 2002 and during the quarter, the spread of the 2-year yield over the Bank's repo rate fell from +110bp to +68bp. Yields fell at all other points of the curve with ultra-long gilts slightly underperforming the medium sector of the curve. Beyond 10-years the curve gradually disinverted throughout most of the quarter, with the 30Y-10Y spread moving from -27bp at the beginning of the period to end at -22bp. The spreads of 10-year gilt yields over the United States and Germany both increased during the quarter and reached a peak of +28bp and +20bp on 12 June and 20 June respectively - the highest spread of 10-year gilt yields over Germany and the US since November 2001. The spread over Germany then declined later in the quarter to end the period only marginally higher. The fall in gilt yields over the quarter also reduced the implied 20-year yield in 10 years' time by 15bp to finish the period at 4.44%.

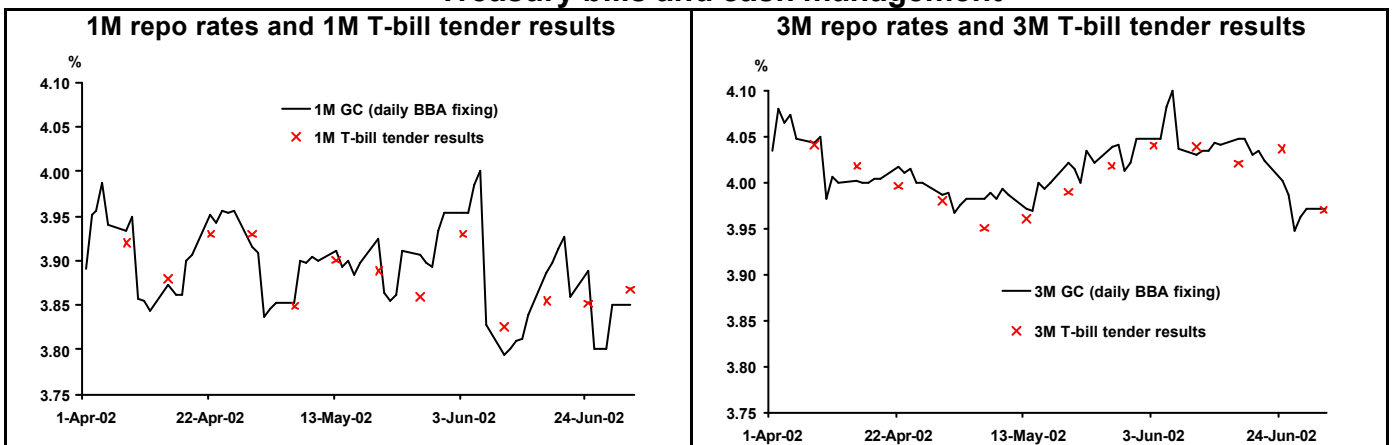


Index-linked gilts



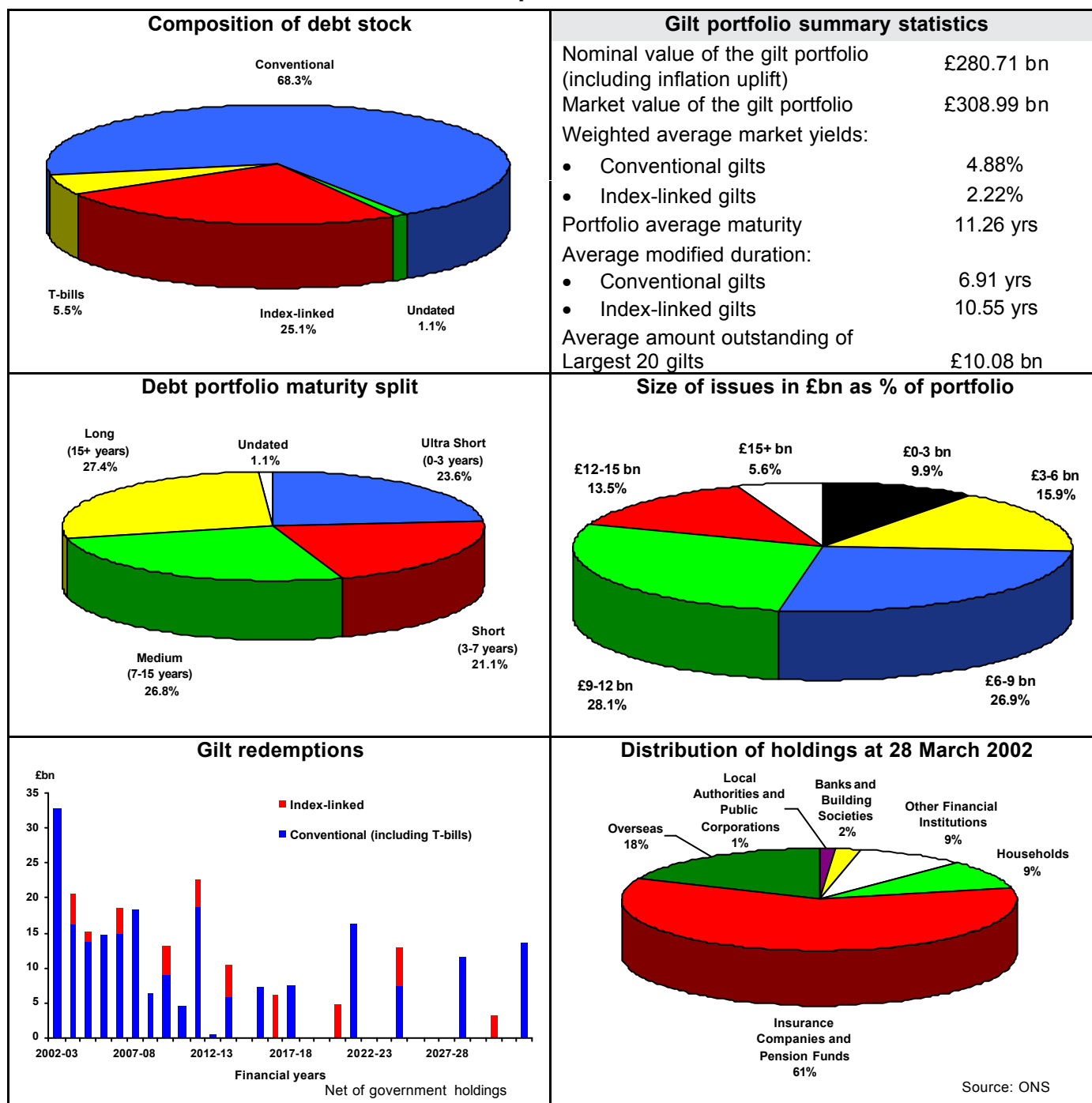
In common with conventional gilts, the medium sector of the real yield curve slightly outperformed longer maturities during the quarter. The real yield on the 2½% I-L 2013 gilt fell 13bp, finishing the period at 2.31%; in contrast, the real yield on the 4⅛% I-L 2030 fell only 5bp to 2.11%. Index-linked gilts across the curve underperformed conventional gilts; the break-even inflation rate in the 2013 sector of the curve fell 18bp to 2.66% and decreased 21bp to 2.69% in the 2030 area.

Treasury bills and cash management



Weekly tenders of 1-month and 3-month T-bills were maintained throughout the quarter. On 3 May the DMO held the first 6-month T-bill tender. This started a monthly programme of 6-month T-bills issuance with £500mn tendered on 31 May and 28 June. Weekly T-bill tender sizes for 1-month maturities peaked during early June at £1500mn and for 3-month T-bills at £1000mn in early May. This pattern of T-bill issuance increased the overall stock of T-bills from £9.7bn on 28 March to £15.9bn on 28 June. During the period 1-month bills were sold at an average 1bp below the corresponding repo rate and 3-month bills also at an average of 1bp below. 6-month T-bills yielded marginally more than the equivalent repo rate.

Details of the debt portfolio as of 28 June 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 Q2 2002

Outright auction results						
Auction date	Issue amount (nominal)	Stock	Cover	Yield tail (basis points)	Average accepted price	Yield at average price
24-Apr-02	£425mn	2 1/2% I-L 2020	2.19	N/A ^a	£210.17	2.39%
29-May-02	£2,250mn	5% 2025	2.24	1	£97.62	5.18%
25-Jun-02	£3000mn ^b	5% 2008	1.68	1	£99.63	5.08%

^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 2002-03 gilts remit as at 28 June 2002

(£mn)	Conventional gilts			Index-linked gilts	Total
	Short (0-7 years)	Medium (7-15 years)	Long (>15 years)		
Remit plans	5,500	5,500	6,900	4,500	22,400
Outright sales to date	2,987	0	2,196	893	6,076
Remaining	2,513	5,500	4,704	3,607	16,324

Treasury bill tender results Q2 2002

Tender date	Stock amount (£mn)	Average yield (%)	Average price (£)	Cover	Yield tail (bp)
1 month T-bills					
5-Apr-02	1000	3.9200	99.6895	8.10	0
12-Apr-02	500	3.8800	99.7032	9.44	0
19-Apr-02	150	3.9300	99.6994	7.88	0
26-Apr-02	150	3.9300	99.6994	9.24	0
3-May-02	150	3.8496	99.6951	8.71	0
10-May-02	150	3.9000	99.7017	8.44	0
17-May-02	700	3.8893	99.7025	5.60	1
24-May-02	1200	3.8590	99.7048	6.81	0
31-May-02	1500	3.9293	99.7209	5.96	0
7-Jun-02	1500	3.8248	99.7074	4.47	1
14-Jun-02	1500	3.8540	99.7052	5.05	0
21-Jun-02	1000	3.8512	99.7054	4.72	1
28-Jun-02	1000	3.8680	99.7042	5.47	0
3 month T-bills					
5-Apr-02	600	4.0408	99.0026	7.35	1
12-Apr-02	700	4.0186	99.0080	7.35	0
19-Apr-02	700	3.9964	99.0135	7.35	1
26-Apr-02	700	3.9800	99.0175	9.29	0
3-May-02	700	3.9500	99.0354	5.05	0
10-May-02	1000	3.9605	99.0222	6.20	1
17-May-02	1000	3.9893	99.0152	5.17	1
24-May-02	1000	4.0183	98.9973	6.69	1
31-May-02	1000	4.0405	99.0244	7.18	1
7-Jun-02	1000	4.0393	99.0030	4.90	1
14-Jun-02	700	4.0201	99.0077	6.07	1
21-Jun-02	700	4.0369	99.0036	5.04	1
28-Jun-02	500	3.9700	99.0199	6.75	0
6 month T-bills					
3-May-02	250	4.1380	97.9893	7.28	1
31-May-02	500	4.2600	97.9424	6.77	0
28-Jun-02	500	4.1700	97.9631	5.57	0

Details of market turnover

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

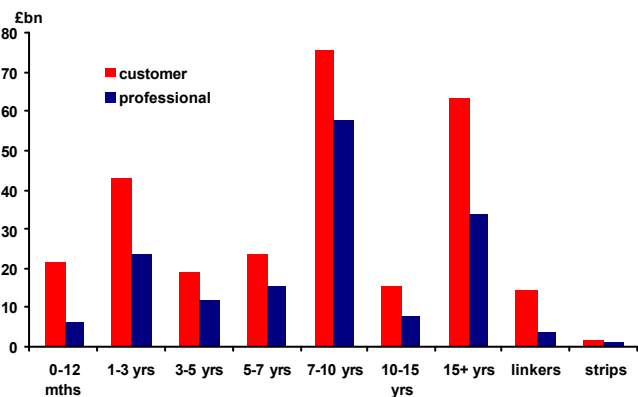
Stock	Market value of trades (£mn)	% of value of all gilt trades	Turnover Ratio ^a	Number of bargains ('000s)	Average bargain size (£mn)
9% Conversion 2011	70,915	15%	10	3	23
5% Treasury 2012	56,629	12%	4	11	5
6% Treasury 2028	36,063	8%	3	6	6
5% Treasury 2004	32,044	7%	4	6	5
4¼% Treasury 2032	25,812	5%	2	6	4
7¼% Treasury 2007	21,585	5%	2	11	2
8% Treasury 2021	19,954	4%	1	6	3
6¼% Treasury 2004	17,039	4%	3	5	4
6½% Treasury 2003	16,514	4%	2	4	4
8% Treasury 2003	16,481	4%	2	3	6
8% Treasury 2015	16,373	3%	2	4	4
7½% Treasury 2006	15,865	3%	1	7	2
8½% Treasury 2005	15,794	3%	1	4	4
5¼% Treasury 2009	14,094	3%	2	11	1
9¼% Treasury 2002	12,819	3%	2	1	12
5% Treasury 2025	11,162	2%	1	2	6
7% Treasury 2002	9,273	2%	1	1	11
8% Treasury 2013	8,992	2%	1	1	6
9% Treasury 2008	8,686	2%	1	2	4
5% Treasury 2008	6,903	1%	2	1	11
Total market	469,945			129	4

The top twenty stocks account for 92% of total market turnover.

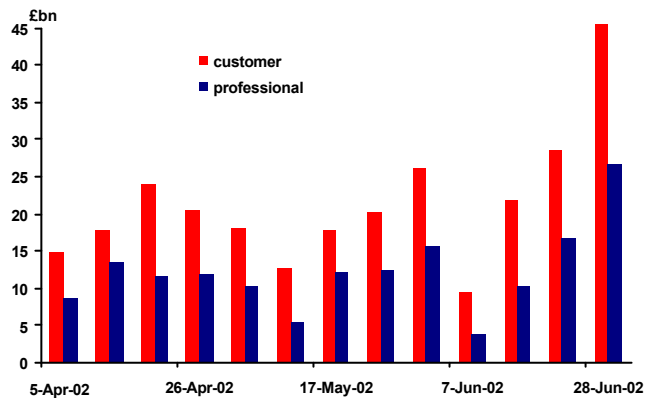
This information is based on provisional information provided by the London Stock Exchange and should only be treated as indicative.

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

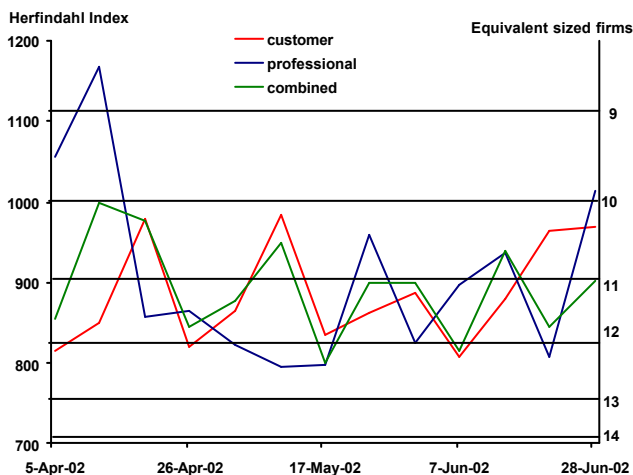
GEMM turnover by maturity band, Q2 2002



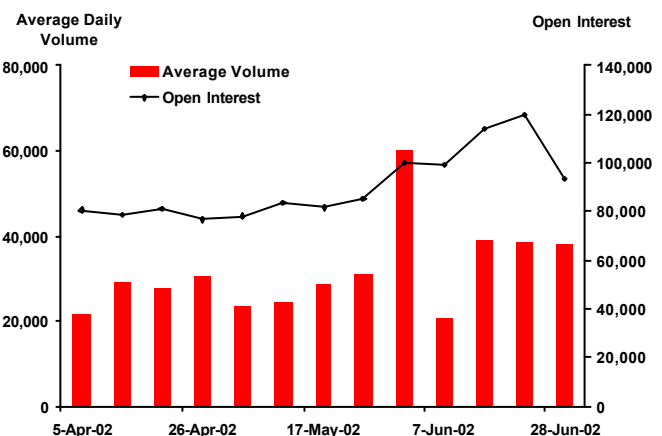
Total GEMM market turnover (weekly total)



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 June 2002 (£mn nominal)

Conventional gilts	Redemption date	Amount in issue	Amount held in stripped form	DMO/NILO* Holdings
9¾% Treasury 2002	27-Aug-02	6623	-	434
8% Treasury 2002-2006	05-Oct-02	2064	-	279
8% Treasury 2003	10-Jun-03	7102	-	521
10% Treasury 2003	08-Sep-03	1872	-	104
6½% Treasury 2003	07-Dec-03	8095	42	316
5% Treasury 2004	07-Jun-04	7504	7	466
3½% Funding 1999-2004	14-Jul-04	561	-	50
6¾% Treasury 2004	26-Nov-04	6597	-	470
9½% Conversion 2005	18-Apr-05	4469	-	95
8½% Treasury 2005	07-Dec-05	10486	142	305
7¾% Treasury 2006	08-Sep-06	3955	-	432
7½% Treasury 2006	07-Dec-06	11807	215	274
8½% Treasury 2007	16-Jul-07	4638	-	362
7¼% Treasury 2007	07-Dec-07	11103	113	241
5% Treasury 2008	07-Mar-08	3050	-	52
5½% Treasury 2008-2012	10-Sep-08	1026	-	183
9% Treasury 2008	13-Oct-08	5495	-	54
5¾% Treasury 2009	07-Dec-09	8937	22	357
6¼% Treasury 2010	25-Nov-10	4958	-	477
9% Conversion 2011	12-Jul-11	5396	-	205
7¾% Treasury 2012-2015	26-Jan-12	806	-	340
5% Treasury 2012	07-Mar-12	13346	0	229
8% Treasury 2013	27-Sep-13	6181	-	387
8% Treasury 2015	07-Dec-15	7377	334	172
8¾% Treasury 2017	25-Aug-17	7751	-	380
8% Treasury 2021	07-Jun-21	16741	294	346
5% Treasury 2025	07-Mar-25	7672	0	176
6% Treasury 2028	07-Dec-28	11756	122	309
4¼% Treasury 2032	07-Jun-32	13829	82	251
Index-linked gilts	Redemption date	Amount in issue	Nominal including inflation uplift	DMO/NILO* Holdings
2½% I-L Treasury 2003	20-May-03	2734	6117	199
4 3/8% I-L Treasury 2004	21-Oct-04	1338	1739	104
2% I-L Treasury 2006	19-Jul-06	2037	5166	37
2½% I-L Treasury 2009	20-May-09	2673	5980	74
2½% I-L Treasury 2011	23-Aug-11	3942	9317	70
2½% I-L Treasury 2013	16-Aug-13	4722	9327	104
2½% I-L Treasury 2016	26-Jul-16	6055	13072	169
2½% I-L Treasury 2020	16-Apr-20	4668	9914	68
2½% I-L Treasury 2024	17-Jul-24	5401	9744	111
4 1/8% I-L Treasury 2030	22-Jul-30	3171	4136	71
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
9% Exchequer 2002	19-Nov-02	83		67
11¾% Treasury 2003-2007	22-Jan-03	234		79
9¾% Conversion 2003	07-May-03	12		10
12½% Treasury 2003-2005	21-Nov-03	152		52
13½% Treasury 2004-2008	26-Mar-04	96		24
10% Treasury 2004	18-May-04	20		6
9½% Conversion 2004	25-Oct-04	307		137
10½% Exchequer 2005	20-Sep-05	24		16
9¾% Conversion 2006	15-Nov-06	6		3
8% Treasury 2009	25-Sep-09	393		81
9% Treasury 2012	6-Aug-12	403		125
12% Exchequer 2013-2017	12-Dec-13	58		8
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		37

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.

On 6 June 2002, in line with paragraph 19 of the DMO cash management remit, HM Treasury issued additional gilts to the DMO for use as collateral in its cash management operations. The total amount to be issued was £3,124 million (nominal), spread across all stock (excluding the near maturity 7% Treasury stock 2002, and all double-dated, undated and rump stocks).

Calendar for Q3 2002

Date	July	August	September
1			
2	Announcement of the size of the auction and coupon of the new 2035 index-linked stock to be auctioned on 10 July.	End of conversion offer of 9% Treasury 2008 into 5% Treasury 2008 gilts. T-bill tender	
3			
4			
5	T-bill tender		
6			T-bill tender
7			
8			
9		T-bill tender	
10	Auction of new 2035 index-linked stock		
11			
12	Start of conversion offer of 9% Treasury 2008 into 5% Treasury 2008 gilts. T-bill tender		
13			T-bill tender
14			
15			
16	Announcement of the size of the auction, maturity date and coupon of the new 2014 conventional stock to be auctioned on 24 July.	T-bill tender	GEMM and end-investor consultation meetings to be held at the DMO's office
17			Announcement of the size of the 2% I-L Treasury 2035 auction and consultation meetings minutes published.
18			
19	T-bill tender		
20			T-bill tender
21			
22			
23		T-bill tender	
24	Auction of new 2014 conventional stock		
25			Auction of 2% I-L Treasury 2035
26	T-bill tender		
27			T-bill tender
28			
29			
30		T-bill tender	Publication of Gilt and Treasury bill issuance calendars for October to December 2002.
31			

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.

