



# Quarterly REVIEW

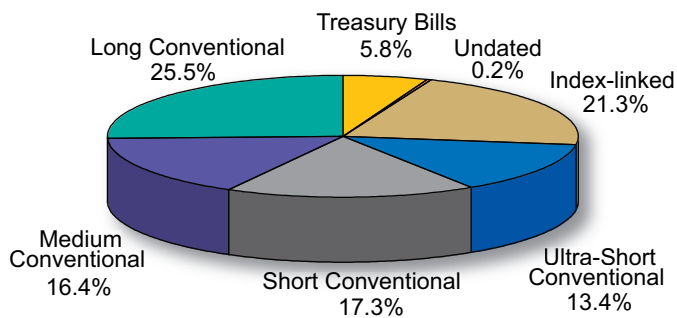
www.dmo.gov.uk

## Details of the Gilt and Treasury bill portfolio at 31 March 2011

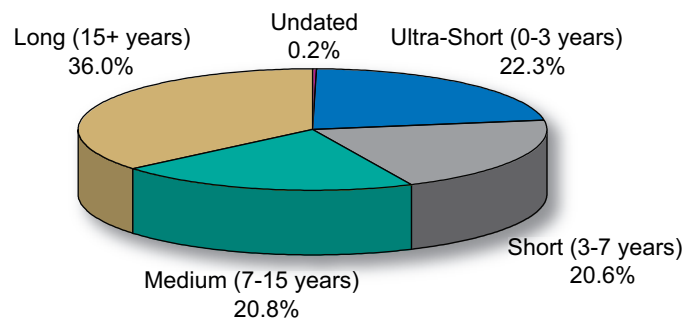
Portfolio summary statistics	31 December 2010*	31 March 2011*
Nominal value of the gilt and Treasury bill portfolio - including inflation uplift	£1,079.42bn (£959.88bn)	£1,096.64bn (£982.24bn)
Nominal value of the gilt portfolio - including inflation uplift	£1,023.82bn (£904.28bn)	£1,032.99bn (£918.60bn)
<ul style="list-style-type: none"> <li>Conventional gilts - inc. undated gilts</li> <li>Index-linked gilts</li> </ul>	£799.06bn (£692.50bn) £224.76bn (£211.78bn)	£799.32bn (£697.97bn) £233.67bn (£220.63bn)
Market value of the gilt and Treasury bill portfolio - including inflation uplift	£1,185.22bn (£1,050.31bn)	£1,182.00bn (£1,054.71bn)
Market value of the gilt portfolio	£1,129.68bn (£994.76bn)	£1,118.43bn (£991.13bn)
<ul style="list-style-type: none"> <li>Conventional gilts - inc. undated gilts</li> <li>Index-linked gilts</li> </ul>	£868.85bn (£749.60bn) £260.83bn (£245.17bn)	£850.74bn (£739.09bn) £267.70bn (£252.04bn)
Market value weighted average portfolio yield:		
<ul style="list-style-type: none"> <li>Conventional gilts - inc. undated gilts</li> <li>Index-linked gilts</li> </ul>	2.87% 0.07%	3.11% 0.32%
Market value weighted average portfolio maturity - inc TBills:	13.42 years	13.51 years
Market value weighted average portfolio maturity - exc. TBills:	14.07 years	14.26 years
<ul style="list-style-type: none"> <li>Conventional gilts - exc. undated gilts</li> <li>Index-linked gilts</li> </ul>	13.15 years 17.14 years	13.31 years 17.29 years
Market value weighted average portfolio modified duration:		
<ul style="list-style-type: none"> <li>Conventional gilts - inc. undated gilts</li> <li>Index-linked gilts</li> </ul>	8.39 years 14.92 years	8.29 years 15.83 years

\*In the above, figures in brackets are net of government holdings.

### Composition of gilt and Treasury bill portfolio\*\*



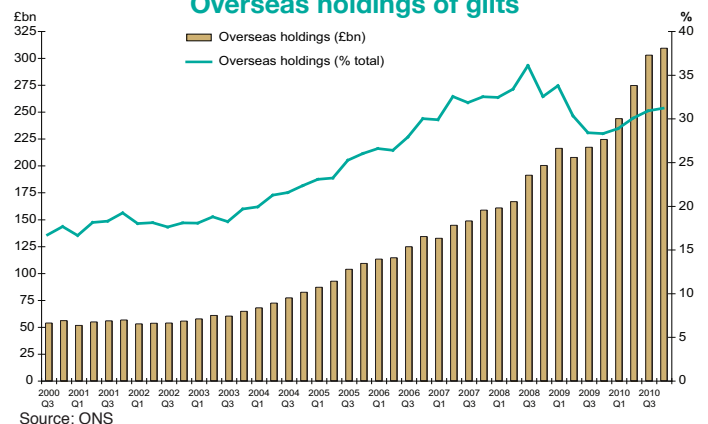
### Gilt and Treasury bill portfolio maturity split\*\*



### Distribution of gilt holdings at 31 December 2010 (based on market values)

(£millions)	at end	Q3 2010	Q4 2010
Insurance companies and pension funds		297,285	294,061
Overseas		302,587	309,171
Bank of England (Asset Purchase Facility)		205,891	199,234
Monetary Financial Institutions*		81,186	90,954
Other financial institutions and other		84,819	87,548
Households		10,051	12,381
Local authorities and public corporations		1,521	1,524
<b>TOTAL</b>		<b>983,340</b>	<b>994,873</b>

### Overseas holdings of gilts

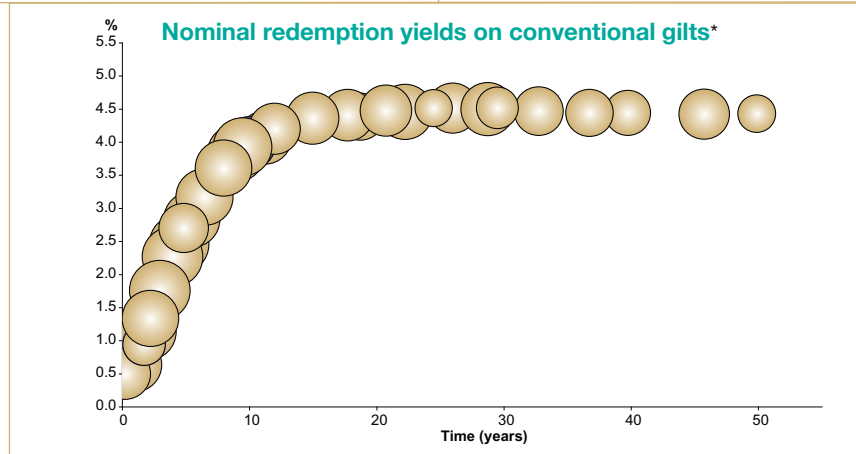
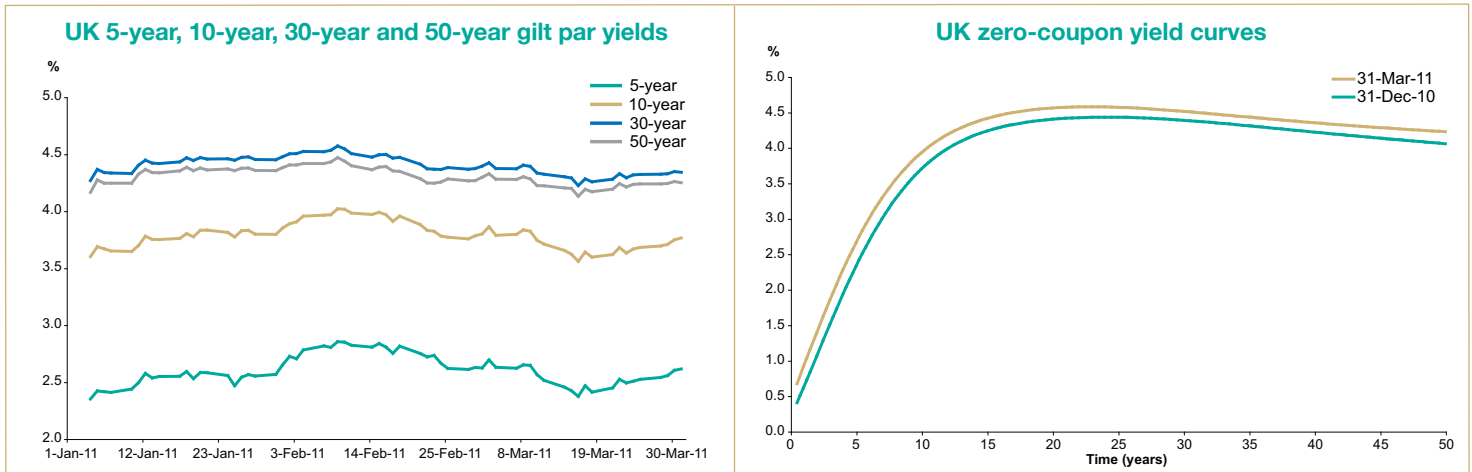


Source: ONS & BoE. These figures can be revised retrospectively.

\*Monetary Financial Institutions replaces Banks and Building societies.

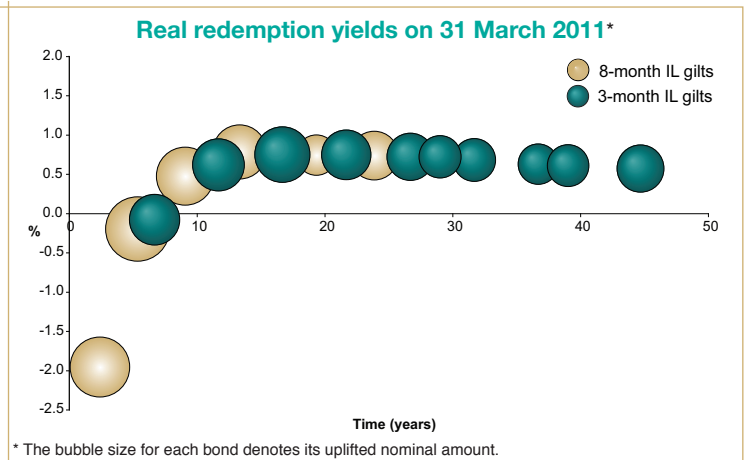
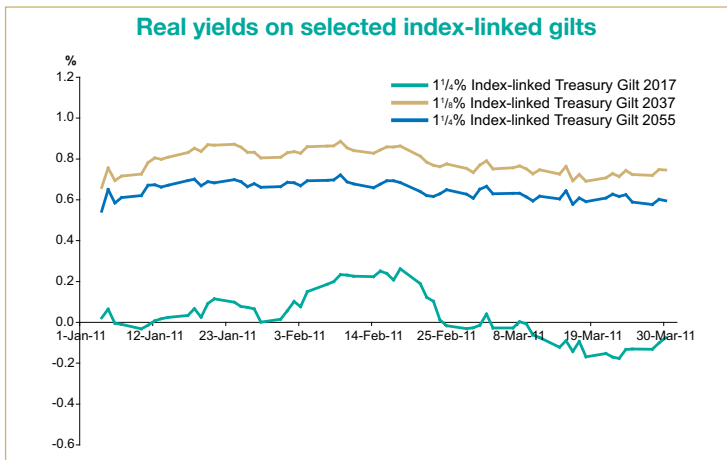
\*\* These are based on uplifted nominal values. Figures in the pie charts may not sum due to rounding.

### Conventional gilts

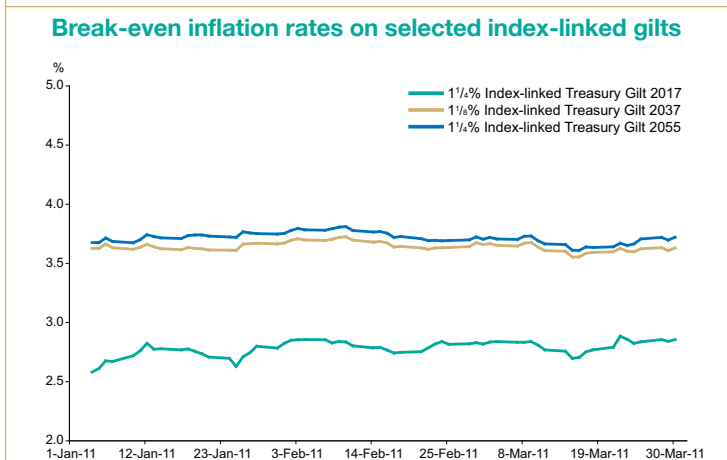


\* Rump gilts are not displayed in this chart.

### Index-linked gilts



\* The bubble size for each bond denotes its uplifted nominal amount.



### Projected redemption values of index-linked gilts based on average inflation of 2 1/2% and 3% per annum.

Gilt Name	Inflation Assumptions	
	2.50%	3.00%
2 1/2% Index-linked Treasury Stock 2013	271.31	273.74
2 1/2% Index-linked Treasury Stock 2016	318.64	326.09
1 1/4% Index-linked Treasury Gilt 2017	140.42	144.98
2 1/2% Index-linked Treasury Stock 2020	343.90	358.42
1 7/8% Index-linked Treasury Gilt 2022	149.66	158.33
2 1/2% Index-linked Treasury Stock 2024	324.45	345.22
1 1/4% Index-linked Treasury Gilt 2027	179.45	194.52
4 1/8% Index-linked Treasury Stock 2030	272.01	298.00
1 1/4% Index-linked Treasury Gilt 2032	181.49	201.58
2% Index-linked Treasury Stock 2035	236.57	264.91
1 1/8% Index-linked Treasury Gilt 2037	220.47	250.91
0 5/8% Index-linked Treasury Gilt 2040	218.13	251.09
0 5/8% Index-linked Treasury Gilt 2042	237.46	276.91
0 3/4% Index-linked Treasury Gilt 2047	274.76	328.30
0 1/2% Index-linked Treasury Gilt 2050	283.35	342.43
1 1/4% Index-linked Treasury Gilt 2055	361.92	449.63

Data extracted from www.dmo.gov.uk report D9C on: 08/04/11.

## Gilt market flows (£mn)

	Gross gilt issuance (cash)	Redemptions	Coupons*	Net financing from gilts after redemptions and coupons
Jan-10	14,302	0	-1,214	13,088
Feb-10	18,427	0	-873	17,554
Mar-10	15,489	0	-8,120	7,369
Apr-10	19,327	0	-220	19,107
May-10	12,425	0	-701	11,724
Jun-10	25,687	-15,617	-6,998	3,072
Jul-10	18,189	0	-1,653	16,536
Aug-10	10,758	0	-883	9,875
Sep-10	13,188	0	-9,474	3,714
Oct-10	16,834	0	-223	16,611
Nov-10	11,761	-4,480	-783	-6,503
Dec-10	6,791	0	-6,846	-55
Jan-11	11,080	0	-1,769	9,311
Feb-11	9,983	0	-895	9,088
Mar-11	10,330	-18,489	-10,073	-18,232
Apr-11	12,845	0	-228	12,617
May-11	-	0	-650	-
Jun-11	-	0	-7,103	-

Figures may not sum due to rounding.

\*Coupon flow numbers are for the stock of debt outstanding at end-quarter.

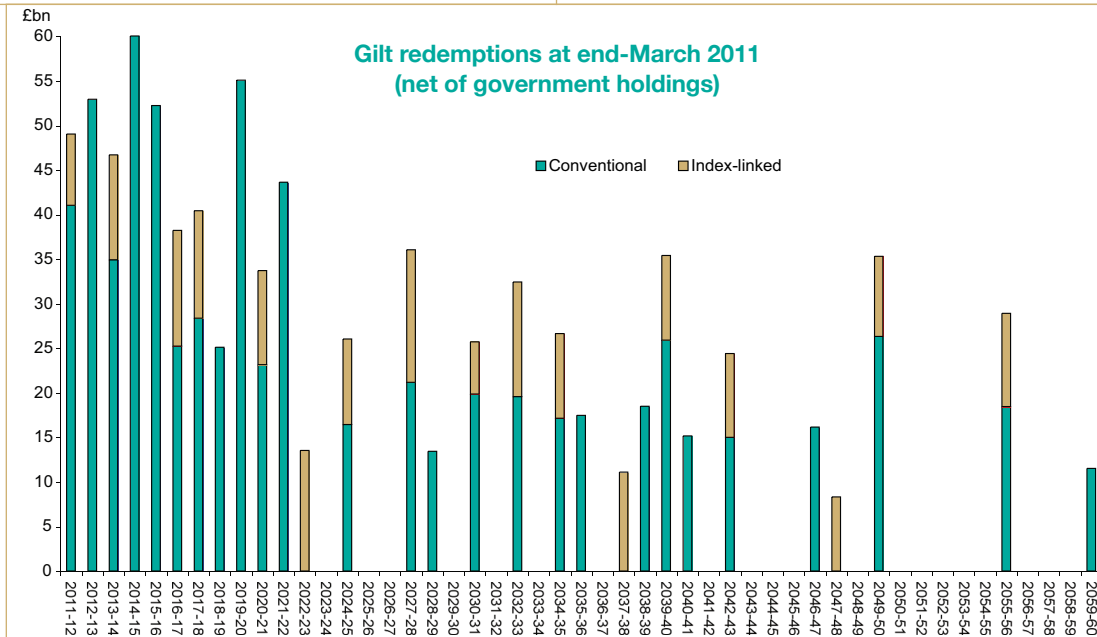
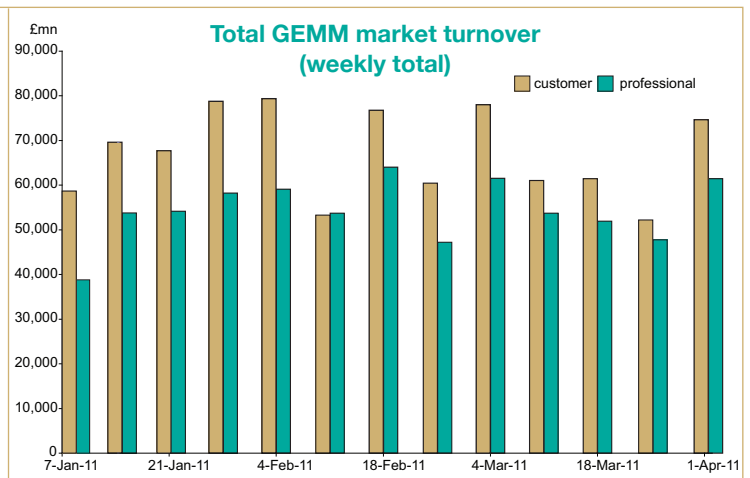
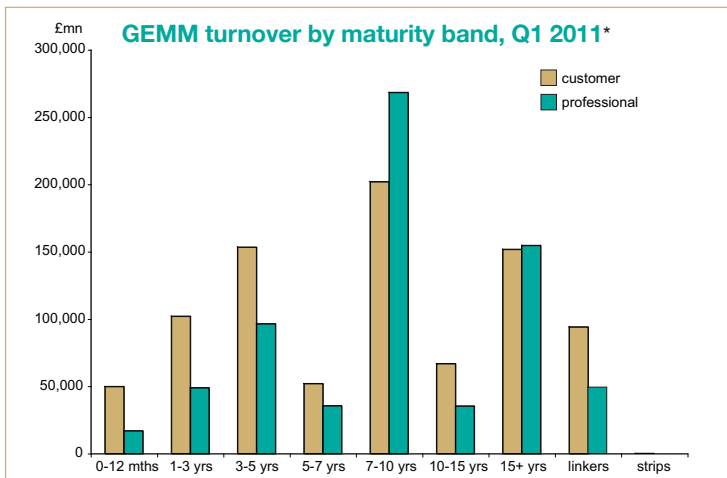
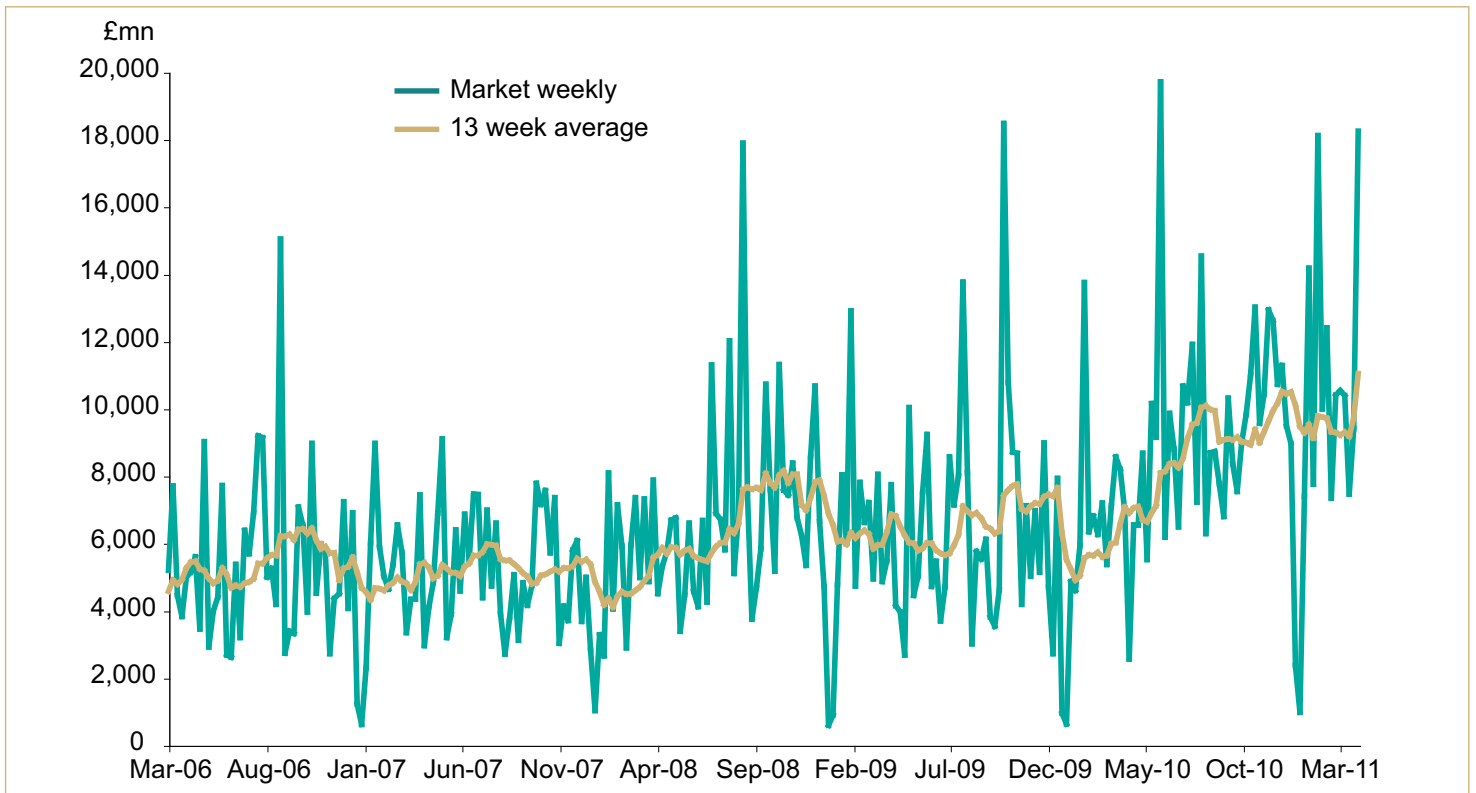
## 2010-11 and 2011-12 financing requirements

(£bn)	Budget (2011)	2010-11 (Outturn)	2010-11 (April 2011)*
<b>CGNCR forecast</b>	<b>141.2</b>	<b>139.6</b>	<b>120.4</b>
Redemptions	38.6	38.6	49.0
Financing for the Official Reserves	6.0	6.0	6.0
Debt buy-backs	0.2	0.2	0.0
Planned short-term financing adjustment	-26.3	-26.3	-9.2
<b>Gross financing requirement</b>	<b>159.7</b>	<b>158.0</b>	<b>166.2</b>
Less			
National Savings & Investments' contribution	0.0	-0.1	2.0
<b>Net financing requirement</b>	<b>159.4</b>	<b>158.0</b>	<b>164.2</b>
<b>Gilt sales planned during the year</b>	<b>166.4</b>	<b>166.4</b>	<b>167.5</b>
Change in planned Treasury bill stock	-0.9	-0.8	-3.3
Change in Ways and Means	0.0	0.0	0.0
DMO net cash position at end of financial year	6.5	9.2	0.5

Figures may not sum due to rounding.

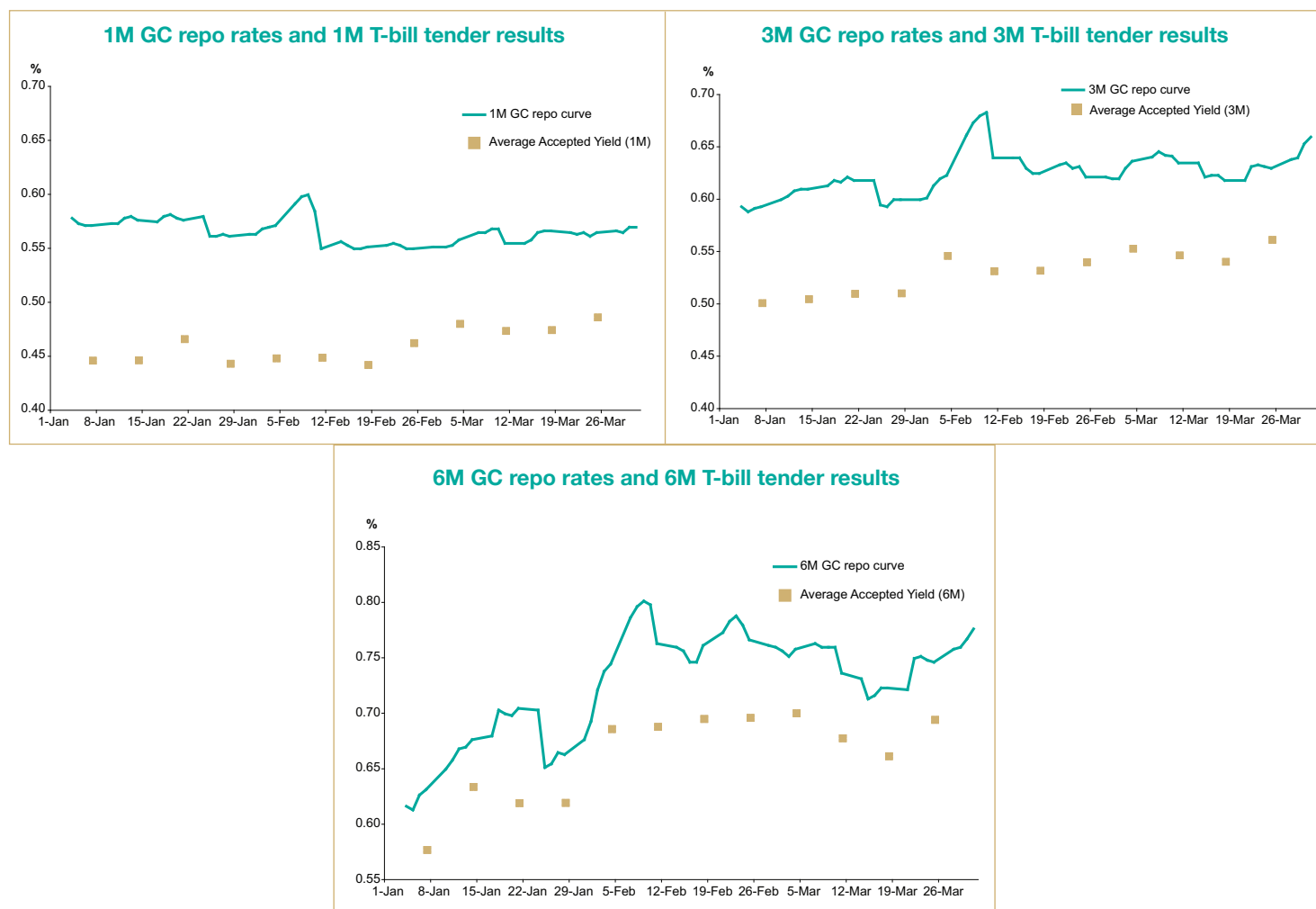
• as updated on 21 April 2011

### Index-linked gilt market turnover 2006-2011



\*Professional Turnover is defined as turnover with counterparties who are Broker Dealers (BDs), other Gilt-edged Market Makers (GEMMs), DMO or Bank of England. Customers are all others (including businesses with related entities).

## Money market operations



## Contacts

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## DMO Website: Useful Website Links

### What's New

[http://www.dmo.gov.uk/ceLogon.aspx?page=Press\\_New&rptcode=D8D](http://www.dmo.gov.uk/ceLogon.aspx?page=Press_New&rptcode=D8D)

### Events calendar

[http://www.dmo.gov.uk/ceLogon.aspx?page=Events\\_Calendar&rptCode=D5J](http://www.dmo.gov.uk/ceLogon.aspx?page=Events_Calendar&rptCode=D5J)

### Gilt market

#### Gilt prices page

[www.dmo.gov.uk/index.aspx?page=Gilts/Daily\\_Prices](http://www.dmo.gov.uk/index.aspx?page=Gilts/Daily_Prices)

#### Gilts in issue

[http://www.dmo.gov.uk/index.aspx?page=Gilts/Gilts\\_In\\_Issue](http://www.dmo.gov.uk/index.aspx?page=Gilts/Gilts_In_Issue)

#### Summary of results from all DMO gilt operations

[http://www.dmo.gov.uk/ceLogon.aspx?page=Summary\\_of\\_results&rptCode=D2.1prof7](http://www.dmo.gov.uk/ceLogon.aspx?page=Summary_of_results&rptCode=D2.1prof7)

#### Cash sales versus the remit (updated after each operation)

[http://www.dmo.gov.uk/ceLogon.aspx?page=Current\\_Remmit&rptCode=D4E](http://www.dmo.gov.uk/ceLogon.aspx?page=Current_Remmit&rptCode=D4E)

#### Gilt issuance history

[http://www.dmo.gov.uk/index.aspx?page=Gilts/Gilts\\_In\\_Issue](http://www.dmo.gov.uk/index.aspx?page=Gilts/Gilts_In_Issue)

#### Overseas holdings data

[http://www.dmo.gov.uk/ceLogon.aspx?page=Gilts/Overseas\\_Holdings&rptCode=D5N](http://www.dmo.gov.uk/ceLogon.aspx?page=Gilts/Overseas_Holdings&rptCode=D5N)

### Index-linked gilts

#### Index-Linked Gilts in Issue

<http://www.dmo.gov.uk/reportView.aspx?rptCode=D1D&rptName=75321885&reportpage=D1D>

#### Published cash flows

[http://www.dmo.gov.uk/ceLogon.aspx?page=Nominal\\_IL&rptCode=D5I](http://www.dmo.gov.uk/ceLogon.aspx?page=Nominal_IL&rptCode=D5I)

#### Daily index ratios

<http://www.dmo.gov.uk/ceLogon.aspx?page=D10C&rptcode=D10C>

### Money Markets

#### Treasury bill prices

[http://www.dmo.gov.uk/ceLogon.aspx?page=tbills/Daily\\_Prices\\_Yields&rptCode=D3A](http://www.dmo.gov.uk/ceLogon.aspx?page=tbills/Daily_Prices_Yields&rptCode=D3A)

#### Summary of T-bill tender results

[www.dmo.gov.uk/index.aspx?page=tbills/tbill\\_tenders](http://www.dmo.gov.uk/index.aspx?page=tbills/tbill_tenders)

#### Treasury bill issuance history

[http://www.dmo.gov.uk/ceLogon.aspx?page=tbills/Portfolio\\_Composition&rptcode=D2.2G](http://www.dmo.gov.uk/ceLogon.aspx?page=tbills/Portfolio_Composition&rptcode=D2.2G)

### Guarantee Schemes

<http://www.dmo.gov.uk/index.aspx?page=CGS/CGSIntro>

### Key Documents

#### Historical copies of the Quarterly Review

[www.dmo.gov.uk/index.aspx?page=publications/Quarterly\\_Reviews](http://www.dmo.gov.uk/index.aspx?page=publications/Quarterly_Reviews)

#### Historical copies of the Annual Review

[http://www.dmo.gov.uk/index.aspx?page=publications/Annual\\_Reviews](http://www.dmo.gov.uk/index.aspx?page=publications/Annual_Reviews)

#### Operational Notice – Gilt market

[http://www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/opnot20091120.pdf&page=operational\\_rules/Document](http://www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/opnot20091120.pdf&page=operational_rules/Document)

#### Operational Notice – Cash market

[http://www.dmo.gov.uk/documentview.aspx?docname=publications/moneymarkets/cmopnot180210.pdf&page=money\\_markets/publication](http://www.dmo.gov.uk/documentview.aspx?docname=publications/moneymarkets/cmopnot180210.pdf&page=money_markets/publication)

#### Guidebook – GEMMs

[http://www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/guidebook20091120.pdf&page=operational\\_rules/Document](http://www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/guidebook20091120.pdf&page=operational_rules/Document)

#### Debt & Reserves Management Report 2011-12

[http://www.dmo.gov.uk/documentview.aspx?docname=remit/drmr1112.pdf&page=Remit/full\\_details](http://www.dmo.gov.uk/documentview.aspx?docname=remit/drmr1112.pdf&page=Remit/full_details)

#### Gilt prospectuses

<http://www.dmo.gov.uk/ceLogon.aspx?page=Prospectuses&rptcode=D8E>

#### Formulae for Calculating Gilt Price from Yields

<http://www.dmo.gov.uk/documentview.aspx?docname=/giltsmarket/formulae/yldeqns.pdf&page=Gilts/Formulae>

### Public Works Loan Board (PWLB)

<http://www.dmo.gov.uk/index.aspx?page=PWLB/Introduction>

## DMO FINANCING REMIT 2011-12

The DMO's financing remit for 2011-12 was published on 23 March 2011 alongside the Budget 2011. The remit was subsequently updated to reflect the outturn of the CGNCR for 2010-11, on 21 April 2011. Planned gilt sales were reduced by £1.5 billion<sup>1</sup>, compared to the plans published at Budget 2011, to £167.5 billion. The main points of the updated remit are summarised below.

### Debt issuance by the DMO

The DMO currently plans to raise £164.2 billion in 2011-12 split as follows:

- Gilt sales: £167.5 billion
- Net Treasury bill sales: -£3.3 billion

### Planned gilt sales

The gilt sales target of £164.2 billion will be met through a combination of:

- £131.3 billion in 47 outright auctions;
- £31.6 billion by a supplementary programme of syndicated offerings;
- £4.6 billion in a supplementary series of gilt mini-tenders.

### Gilt sales split by type and operation

Planned gilt sales by type, maturity and issuance method are summarised below. The planning assumption is that supplementary issuance methods will be used exclusively to issue long-dated conventional and index-linked gilts. Total financing achieved by supplementary methods (and the split between methods) will be dependent on market and demand conditions at the time the transactions are conducted.

- £57.4 billion short-dated conventional gilts in 12 auctions;
- £34.7 billion medium-dated conventional gilts in 10 auctions;
- £21.0 billion long-dated conventional gilts in 10 auctions;
- £16.4 billion long dated conventional gilts in a combination of syndicated offerings and mini-tenders;
- £18.2 billion index-linked gilts in 15 auctions
- £19.8 billion index-linked gilts in a combination of syndicated offerings and mini-tenders.

### The gilt auction programme

The DMO published planned average auction sizes (in cash terms) for each maturity/instrument type in its April-June 2011 issuance calendar announcement (on 31 March 2011) and subsequently revised these (downwards slightly) in the updated remit published on 21 April). Going forward the DMO will publish updated planned average auction sizes in its regular auction size press releases and in subsequent quarterly issuance calendar announcements.

### The syndication programme

The DMO intends to implement the programme of syndicated offerings in 2011-12 more evenly across the year than in 2010-11 via smaller and more regular operations than in 2010-11. The planning assumption of up to eight syndicated offerings implies a frequency of two such operations per quarter.

<sup>1</sup> Planned sales of short conventional gilts were reduced by £0.6 billion, sales of mediums by £0.2 billion, sales of longs by £0.3 billion and planned sales of index-linked gilts by £0.4 billion.

### Interaction between the gilt auction and syndicated offering programmes

The intended smaller size and greater frequency of syndicated offerings will not necessarily result in evenflow issuance via syndication, because the outcome of each syndicated offering will depend on market and demand conditions at the time each transaction takes place. The primary method of accommodating variances in the syndication programme will be via changes to the mini-tender programme (see the next sections below). Should it become necessary to maintain the optimal sizing of subsequent syndicated offerings the DMO may, at the margin, add gilt auction(s) to the calendar. It will only do so, however, as part of the quarterly issuance announcements, following consultation with market participants in the quarterly consultation meetings.

In order to facilitate the scheduling of a syndicated offering, the DMO may, if required, alter the timing of an existing gilt auction. An auction may be moved to another day in the week in which it was originally scheduled, to the previous week or to the following week. Any such changes may occur after the publication of the relevant quarterly issuance calendar but if so with a minimum of one week's advance notice. Any such changes would be announced alongside the announcement about the likely timing of a syndicated offering.

### Mini-tenders

The DMO envisages holding approximately six mini-tenders in 2011-12, aiming to raise a total of £4.6 billion. The weeks in which the operations are planned will be announced in the DMO's quarterly issuance announcements. Mini-tenders will be generally be around half the size (in cash terms) of auctions of comparable gilts.

In 2011-12, the mini-tender programme will be used primarily to support the syndication programme by providing operational flexibility to accommodate any unanticipated variations in proceeds from the syndication programme. With this in mind, the DMO may add mini-tenders to the operations calendar either via the quarterly issuance announcement or with at least four week's notice, or it may remove them with a minimum of one week's notice.

### Post-auction option facility (PAOF)

The PAOF will continue to be available with successful bidders at auctions having the option to purchase additional stock of up to 10% of amount allocated to them at the auction. The option to buy (at the average accepted price at conventional gilt auctions and at the strike price at index-linked gilt auctions) will be open from 12 noon to 2pm on the day of an auction.

The proceeds from PAOF will count towards the achievement of overall remit sales targets, but will be separately identified from amounts raised at auctions themselves. In the period before any restatement of the public finances and the financing remit (currently expected in the Autumn Statement 2011), sums raised by PAOF will not be taken account of in the calculation of required average auction sizes.

At any re-statement of the financing requirement (e.g. at the Autumn Statement) the proceeds from PAOF to that date will be added to the auction proceeds totals, thereby reducing the respective amounts to be raised by sector/type of gilt in the period following the re-statement, other things equal. These proceeds will also be taken into account in the calculation of required average auction sizes for the remainder of the financial year. All other factors constant, therefore, the proceeds may be used to reduce auction sizes or to reduce the number of required operations in the period following the re-statement. Any use of PAOF in these ways would be communicated as part of the DMO's announcement of any update to its financing remit at the time of the re-statement.

In addition, following the re-statement of the financing requirement, the DMO will assume the proceeds from PAOF up to that point will continue to accrue for the remainder of the financial year at the same rate per type and maturity of gilt. These assumed future PAOF proceeds will be subtracted from the balance of sales remaining in the period following the in-year re-statement and average auction sizes will be calculated on the basis of the adjusted (lower) sales balances.



In the event that the degree to which POAF is taken up after the re-statement is different from assumed proceeds (and this difference is not accommodated in the supplementary issuance programme) then the outturn will be reflected in changes to the end-year Treasury bill stock and/or the DMO's net cash position.

### Treasury bill sales

The stock of Treasury bills in market hands at end-March 2011 was £64.1 billion. The stock is scheduled to fall by £3.3 billion in 2011-12, reducing the planned stock at end-March 2012 to £60.8 billion.

The DMO has discretion to vary the Treasury bill stock over the end of the financial year in line with its cash management operational requirements. Any difference between the outturn and target for 2011-12 will be reported in April 2012, along with any wider implications for the DMO financing remit in 2012-13 arising from the publication of the outturn for the 2011-12 Central Government Net Cash Requirement (CGNCR).

### Illustrative financing projections

The table below shows annual illustrative gross financing projections from 2012-13 to 2015-16 using updated projections of the CGNCR plus the latest estimate of gilt redemptions in these years. These are not gilt sales forecasts and, in particular, make no assumption about any contribution to financing from NS&I and the sales of Treasury bills.

	2012-13	2013-14	2014-15	2015-16
CGNCR projections	105	80	46	33
Gilt redemptions	53	47	60	53
Financing for the reserves	6	6	6	0
<b>Financing requirement</b>	<b>164</b>	<b>133</b>	<b>112</b>	<b>85</b>
CGNCR change since Autumn Forecast (AF) 2010	14	10	7	6
Financing for the reserves change since AF 2010	6	6	6	na
Redemption change since AF 2010	0	0	0	8

Figures may not sum due to rounding.