



Quarterly REVIEW

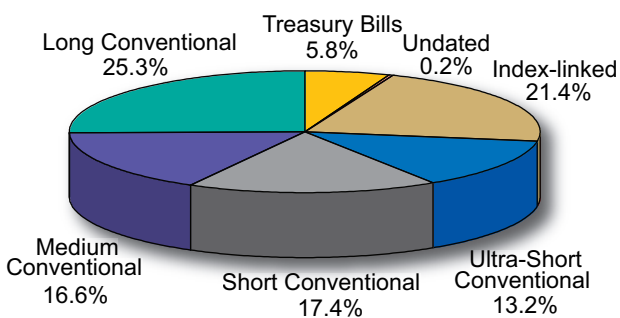
www.dmo.gov.uk

Details of the Gilt and Treasury bill portfolio at 30 June 2011

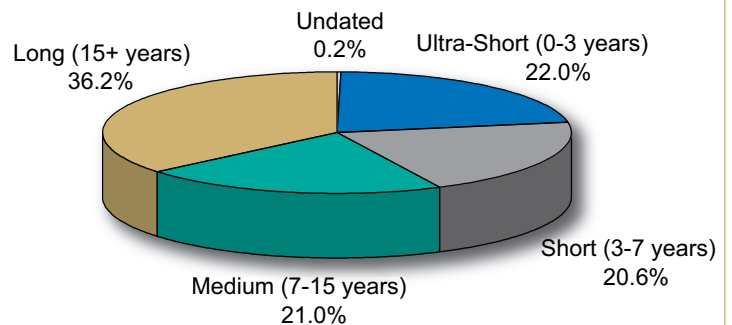
Portfolio summary statistics	31 March 2011		30 June 2011	
	Gross	Net	Gross	Net
Nominal value of the gilt and Treasury bill portfolio - including inflation uplift	£1,096.64bn	£982.24bn	£1,150.17bn	£1,035.55bn
Nominal value of the gilt portfolio - including inflation uplift	£1,032.99bn	£918.60bn	£1,082.89bn	£968.27bn
• Conventional gilts - inc. undated gilts	£799.32bn	£697.97bn	£836.40bn	£734.97bn
• Index-linked gilts	£233.67bn	£220.63bn	£246.50bn	£233.30bn
Market value of the gilt and Treasury bill portfolio - including inflation uplift	£1,182.00bn	£1,054.71bn	£1,256.53bn	£1,127.30bn
Market value of the gilt portfolio	£1,118.43bn	£991.13bn	£1,189.31bn	£1,060.08bn
• Conventional gilts - inc. undated gilts	£850.74bn	£739.09bn	£902.48bn	£789.41bn
• Index-linked gilts	£267.70bn	£252.04bn	£286.83bn	£270.67bn
Market value weighted average portfolio yield:				
• Conventional gilts - inc. undated gilts	3.11%	3.11%	2.81%	2.80%
• Index-linked gilts	0.32%	0.33%	0.14%	0.16%
Market value weighted average portfolio maturity - inc TBills:	13.51 years	13.50 years	13.40 years	13.42 years
Market value weighted average portfolio maturity - exc. TBills:	14.26 years	14.35 years	14.15 years	14.26 years
• Conventional gilts - exc. undated gilts	13.31 years	13.21 years	13.11 years	13.03 years
• Index-linked gilts	17.29 years	17.71 years	17.42 years	17.83 years
Market value weighted average portfolio modified duration:				
• Conventional gilts - inc. undated gilts	8.29 years	8.24 years	8.21 years	8.17 years
• Index-linked gilts	15.83 years	16.17 years	15.99 years	16.34 years

The 'Net' holdings category excludes gilts held by the DMO.

Composition of gilt and Treasury bill portfolio**



Gilt and Treasury bill portfolio maturity split**

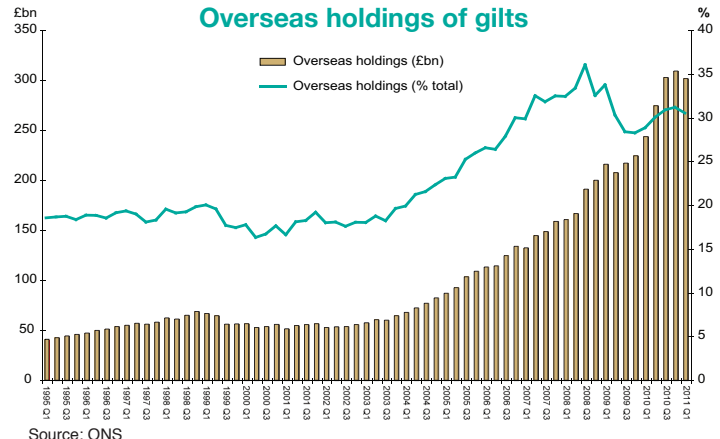


Distribution of gilt holdings at 31 March 2011 (based on market values)

(£millions)	at end	Q4 2010	Q1 2011
Insurance companies and pension funds		294,174	287,163
Overseas		309,171	301,540
Bank of England (Asset Purchase Facility)		199,234	194,893
Monetary Financial Institutions*		91,156	106,712
Other financial institutions and other		87,391	86,195
Households		12,223	13,297
Local authorities and public corporations		1,524	1,468
TOTAL		994,873	991,268

Source: ONS & BoE. These figures can be revised retrospectively.
*Monetary Financial Institutions replaces Banks and Building societies.

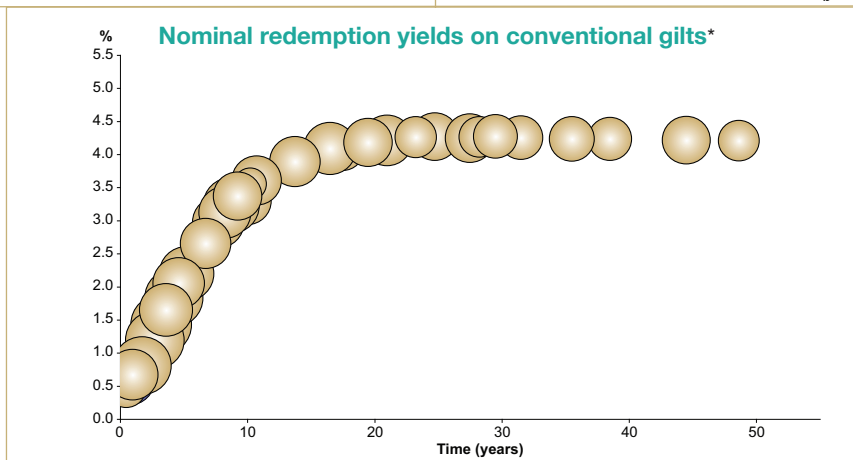
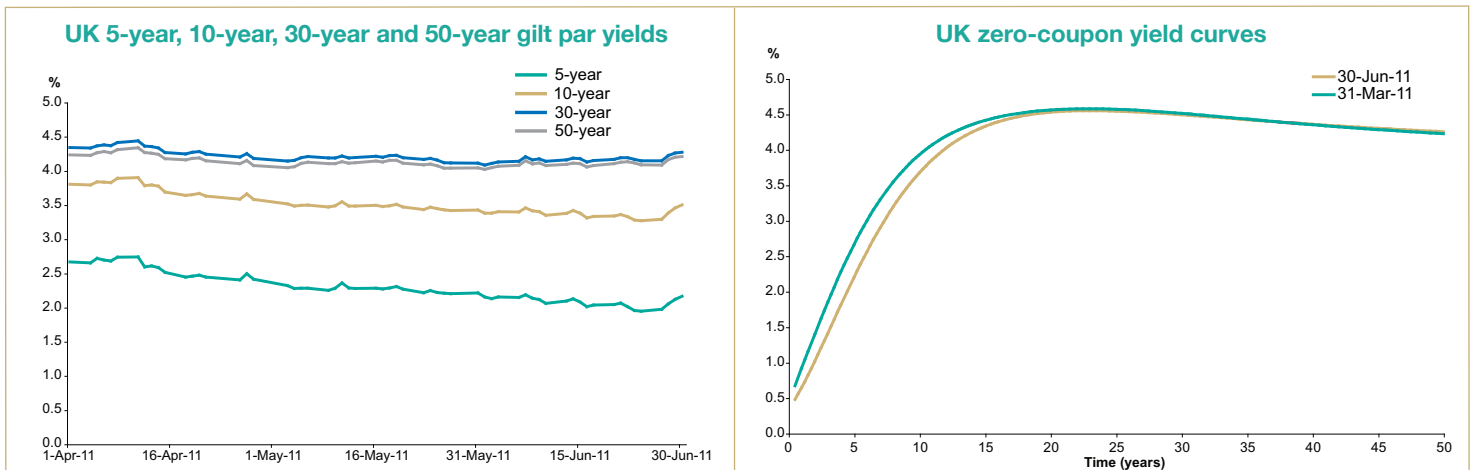
Overseas holdings of gilts



Source: ONS

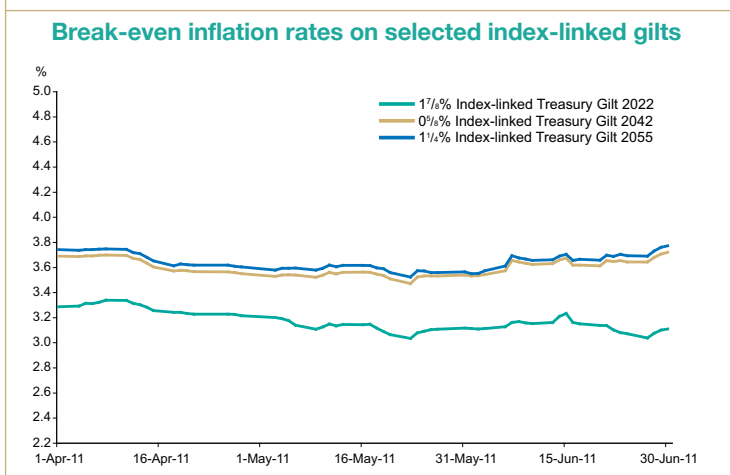
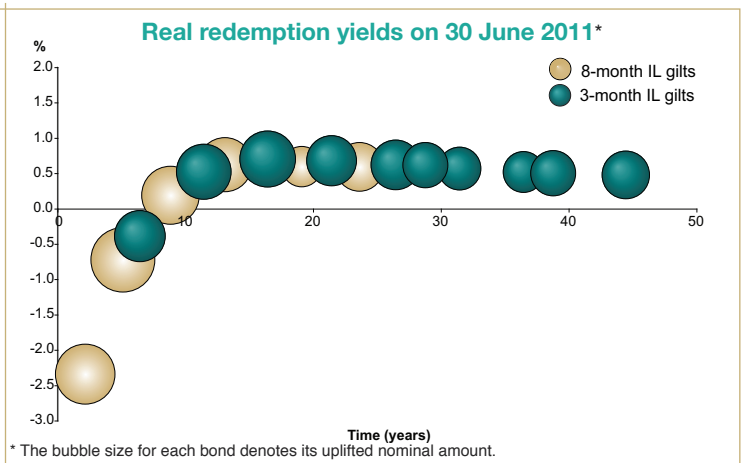
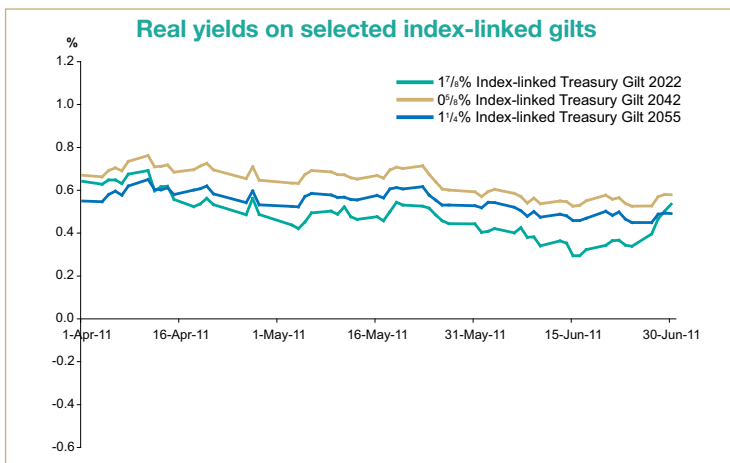
** These are based on uplifted nominal values. Figures in the pie charts may not sum due to rounding.

Conventional gilts



* Rump gilts are not displayed in this chart.

Index-linked gilts



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%
Nominal Amount : £100.00		
2 1/2% Index-linked Treasury Stock 2013	273.62	275.63
2 1/4% Index-linked Treasury Stock 2016	321.36	328.34
1 1/4% Index-linked Treasury Gilt 2017	141.60	145.96
2 1/2% Index-linked Treasury Stock 2020	346.83	360.89
1 7/8% Index-linked Treasury Gilt 2022	150.92	159.40
2 1/2% Index-linked Treasury Stock 2024	327.22	347.60
1 1/4% Index-linked Treasury Gilt 2027	180.96	195.84
4 1/8% Index-linked Treasury Stock 2030	274.33	300.05
1 1/4% Index-linked Treasury Gilt 2032	183.02	202.95
0 3/4% Index-linked Treasury Gilt 2034	176.83	197.36
2% Index-linked Treasury Stock 2035	238.58	266.73
1 1/8% Index-linked Treasury Gilt 2037	222.33	252.62
0 5/8% Index-linked Treasury Gilt 2040	219.97	252.79
0 5/8% Index-linked Treasury Gilt 2042	239.46	278.79
0 3/4% Index-linked Treasury Gilt 2047	277.07	330.52
0 1/2% Index-linked Treasury Gilt 2050	285.75	344.76
1 1/4% Index-linked Treasury Gilt 2055	364.98	452.68

Data extracted from www.dmo.gov.uk report D9C on: 15/07/11.

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	6,498
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	12,621
May-11	16,125	0	-650	15,475
Jun-11	17,429	0	-7,103	10,326
Jul-11	16,592	-5,190	-2,104	9,298
Aug-11	-	-7,991	-903	-
Sep-11	-	-	-9,959	-

Figures may not sum due to rounding.

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

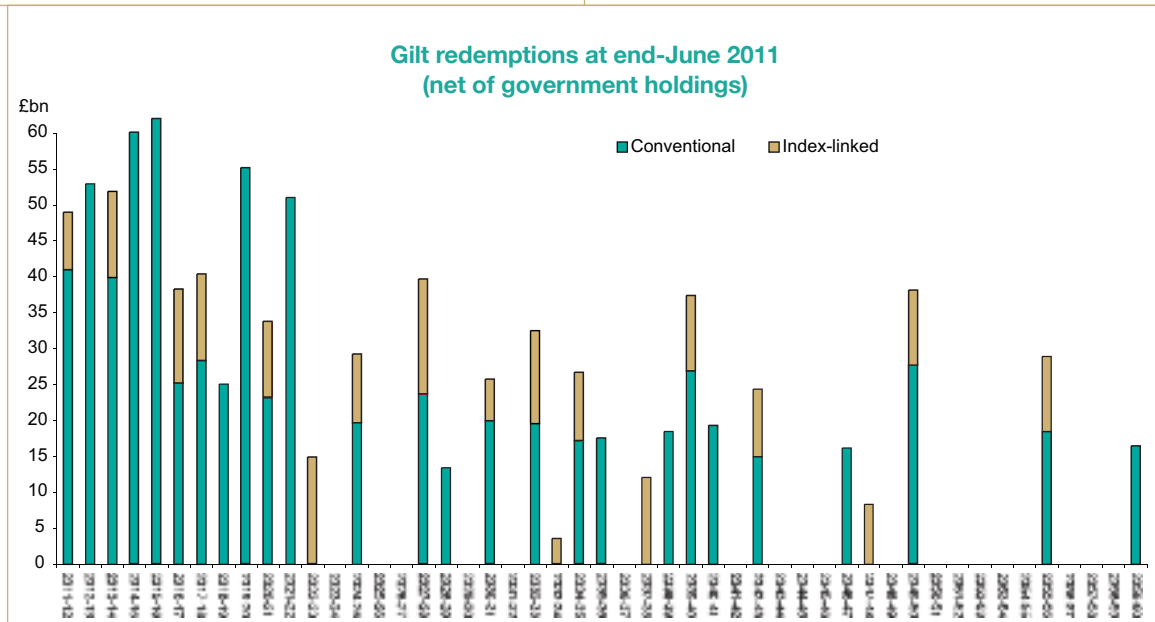
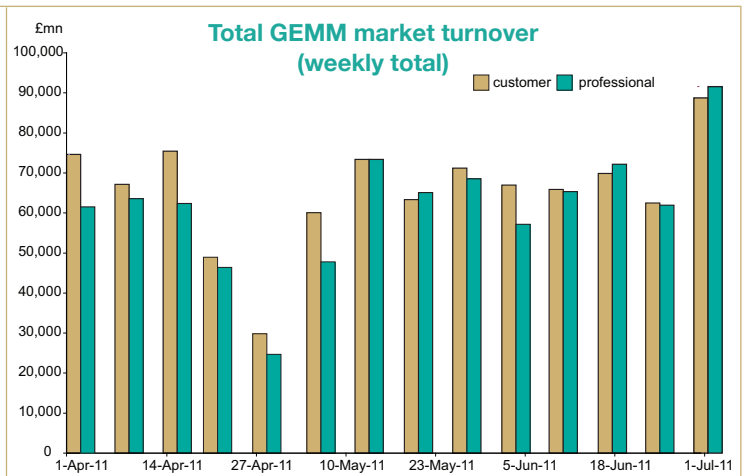
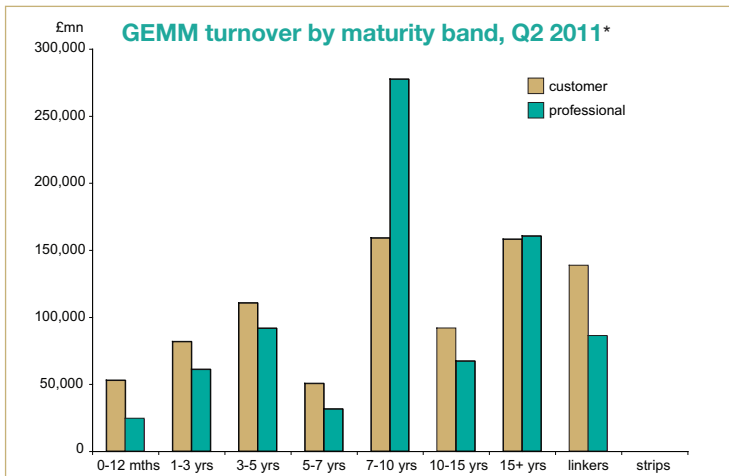
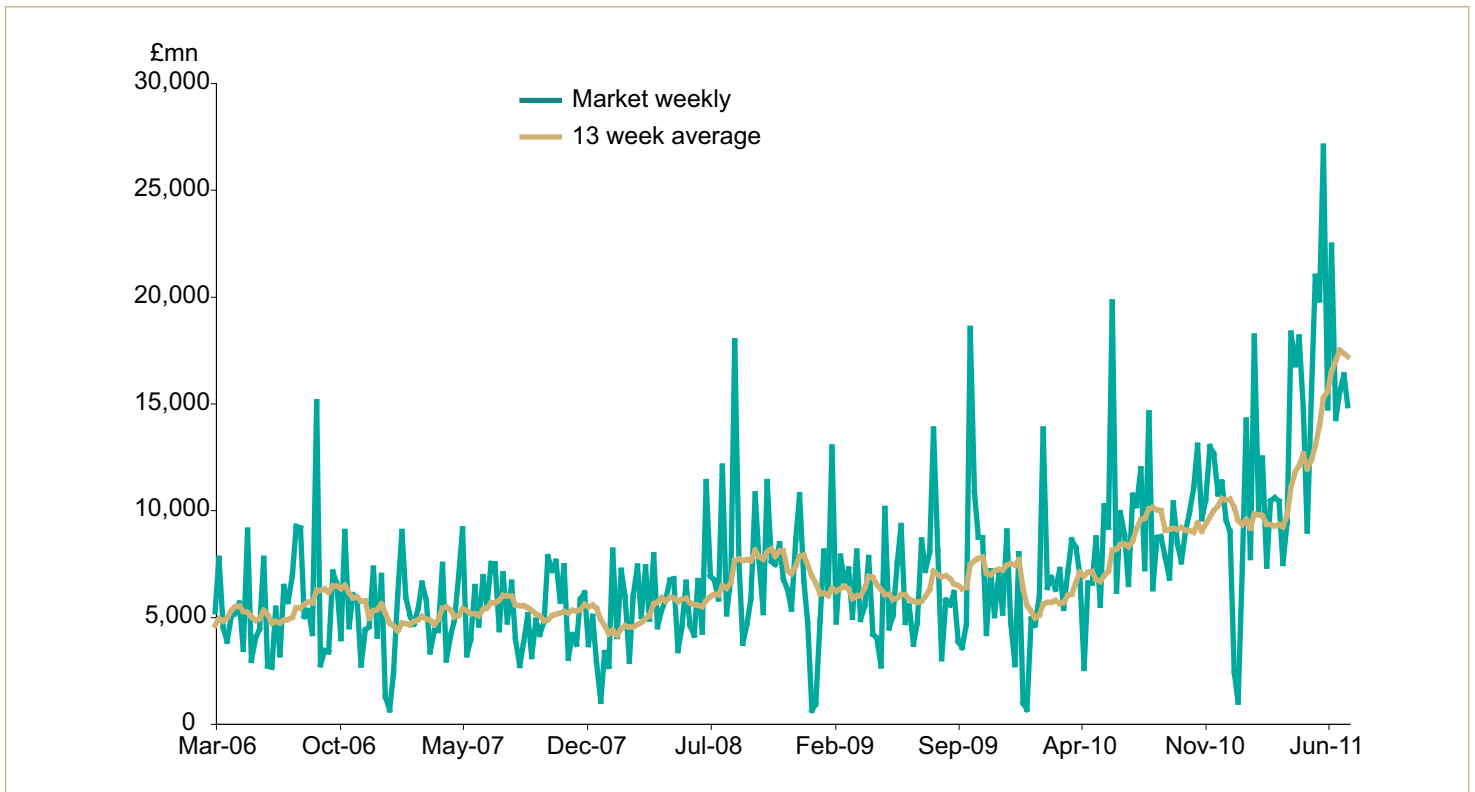
2010-11 and 2011-12 financing requirements

(£bn)	2010-11 (Budget 2011)	2010-11 (Outturn)	2011-12
CGNCR forecast	141.2	139.7	120.4
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	-8.6
Gross financing requirement	159.7	158.1	166.8
Less			
National Savings & Investments' contribution	0.0	0.3	2.0
Net financing requirement	159.4	158.0	164.8
Gilt sales planned during the year	166.4	166.4	167.5
Change in planned Treasury bill stock	-0.9	-0.8	-2.8
Change in Ways and Means	0.0	0.0	0.0
DMO net cash position at end of financial year	6.5	9.1	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 (BDLs), other Gilt-edged Market Makers (GEMMs), DMO or Bank of England. Customers are all others (including businesses with related entities).

Money market operations



Contacts

Name	Position	Telephone No.	Email
Robert Stheeman	Chief Executive	0845 357 6533	robert.stheeman@dmo.gsi.gov.uk
Jo Whelan	Deputy Chief Executive	0845 357 6531	jo.whelan@dmo.gsi.gov.uk
Jim Juffs	Chief Operating Officer	0845 357 6520	jim.juffs@dmo.gsi.gov.uk
Joanne Perez	Joint Head of Policy & Markets	0845 357 6539	joanne.perez@dmo.gsi.gov.uk
Martin Duffell	Head of Dealing	0845 357 6517	martin.duffell@dmo.gsi.gov.uk
Gurminder Bhachu	Co-Head of Policy Team	0845 357 6512	gurminder.bhachu@dmo.gsi.gov.uk
Tim Riddington	Co-Head of Policy Team	0845 357 6623	tim.riddington@dmo.gsi.gov.uk
James Knight	Senior Policy Advisor	0845 357 6571	james.knight@dmo.gsi.gov.uk
Steve Whiting	Press Officer	0845 357 6532	steve.whiting@dmo.gsi.gov.uk
Sarah Ellis	Deputy Press Officer	0845 357 6525	sarah.ellis@dmo.gsi.gov.uk
Mark Deacon	Head of Research and Analysis Team	0845 357 6516	mark.deacon@dmo.gsi.gov.uk
Anna Elliott	Quantitative Analyst	0845 357 6660	anna.elliott@dmo.gsi.gov.uk
Kpakpo Brown	Policy Analyst	0845 357 6576	kpakpo.brown@dmo.gsi.gov.uk

DMO Website: Useful Website Links

What's New

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

Gilt market

Gilt prices page

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

Summary of results from all DMO gilt operations

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

Gilt issuance history

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

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

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

Summary of T-bill tender results

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

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

Historical copies of the Annual Review

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

Operational Notice – Cash market

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

Debt & Reserves Management Report 2011-12

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 billion¹, 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; and
- £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; and
- £19.8 billion index-linked gilts in a combination of syndicated offerings and mini-tenders.

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	52
Financing for the reserves	6	6	6	0
Financing requirement	164	133	112	85
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	12

Figures may not sum due to rounding.

¹ 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.

CONSULTATION ON CPI-LINKED GILTS

The DMO launched a consultation on 29 June 2011 to help build an evidence base to inform a decision by Government on whether to issue gilts whose cash flows would be linked to the Consumer Prices Index (CPI). The formal period of consultation will close on 22 September 2011.

In coming to a decision on whether to issue a new type of instrument, the expected benefits, costs and risks of issuing CPI-linked gilts for both the Government as issuer and the gilt market will be taken into account. In particular the Government will assess the case for CPI-linked gilts with reference to:

- consistency with meeting the debt management objective and the principles on which UK debt management policy is based;
- the impact on liquidity and the good functioning of the gilt market;
- the likely scale of demand for a new type of gilt; and
- the cost and resource commitment needed for implementation in comparison with the size of potential demand.

Other factors which will need to be taken into account in reaching a decision on the launch of CPI-linked gilts include:

- the depth of investor demand for such instruments both in an absolute context and also relative to RPI-linked gilts and the extent to which potential investors would be prepared to pay a premium for such gilts. In particular, given that the UK pensions sector represents a key investor group for index-linked gilts, it will be important to understand the extent to which the shift to CPI as the statutory minimum for regulating occupational pension schemes will affect the preferred choice for pension fund Liability Driven Investment (LDI) purposes;
- the Government's assessment of the impact of any CPI-linked issuance on the smooth functioning of the market in inflation-linked UK Government debt: for example the Government is not inclined to issue a new type of debt instrument that is likely to appeal only to a very limited group of investors (or for a temporary period); and
- the potential risks associated with the introduction of CPI-linked gilts, including risks of market fragmentation and liquidity (and how these risks might be managed).

The consultation document can be accessed at:

<http://www.dmo.gov.uk/documentview.aspx?docname=publications/giltmarket/consultationpapers/cons20110629.pdf&page=Gilts/Consultation>