



Quarterly REVIEW

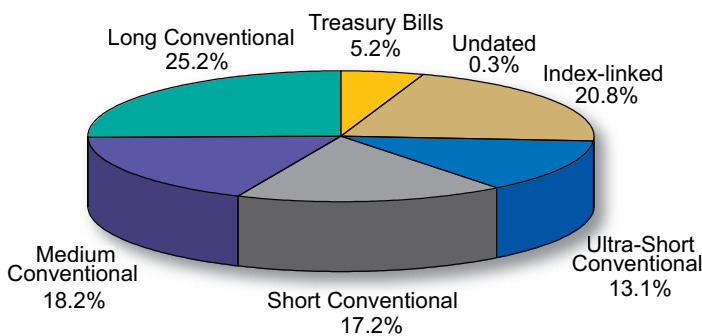
www.dmo.gov.uk

Details of the Gilt and Treasury bill portfolio at 31 December 2010

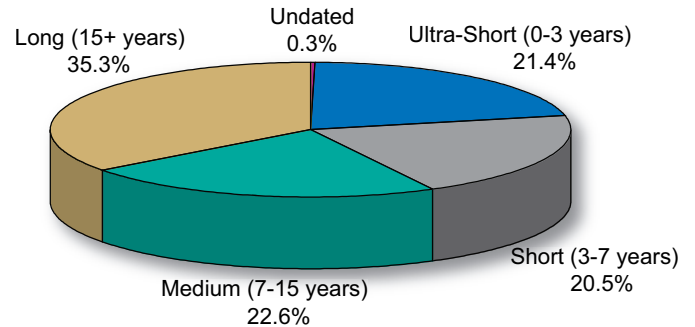
Portfolio summary statistics	30 September 2010*	31 December 2010*
Nominal value of the gilt and Treasury bill portfolio - including inflation uplift	£1,058.29bn (£936.81bn)	£1,079.42bn (£959.88bn)
Nominal value of the gilt portfolio - including inflation uplift	£992.87bn (£871.39bn)	£1,023.82bn (£904.28bn)
<ul style="list-style-type: none"> Conventional gilts - inc. undated gilts Index-linked gilts 	£776.47bn (£667.70bn) £216.40bn (£203.69bn)	£799.06bn (£692.50bn) £224.76bn (£211.78bn)
Market value of the gilt and Treasury bill portfolio - including inflation uplift	£1,189.84bn (£1,048.70bn)	£1,185.22bn (£1,050.31bn)
Market value of the gilt portfolio	£1,124.48bn (£983.34bn)	£1,129.68bn (£994.76bn)
<ul style="list-style-type: none"> Conventional gilts - inc. undated gilts Index-linked gilts 	£870.89bn (£745.31bn) £253.59bn (£238.03bn)	£868.85bn (£749.60bn) £260.83bn (£245.17bn)
Market value weighted average portfolio yield:		
<ul style="list-style-type: none"> Conventional gilts - inc. undated gilts Index-linked gilts 	2.55% 0.08%	2.87% 0.07%
Market value weighted average portfolio maturity - inc TBills:	13.47 years	13.42 years
Market value weighted average portfolio maturity - exc. TBills:	14.24 years	14.07 years
<ul style="list-style-type: none"> Conventional gilts - exc. undated gilts Index-linked gilts 	13.42 years 17.07 years	13.15 years 17.14 years
Market value weighted average portfolio modified duration:		
<ul style="list-style-type: none"> Conventional gilts - inc. undated gilts Index-linked gilts 	8.66 years 14.86 years	8.39 years 14.92 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**

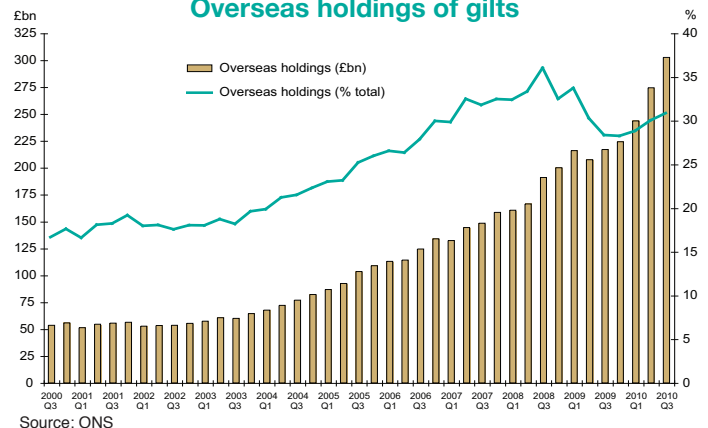


Distribution of gilt holdings at 30 September 2010 (based on market values)

(£millions)	at end	Q2 2010	Q3 2010
Insurance companies and pension funds		266,075	276,420
Overseas		274,454	302,587
Bank of England (Asset Purchase Facility)		200,368	205,891
Other financial institutions and other		88,838	103,356
Banks		64,954	66,836
Building societies		11,226	14,350
Households		9,571	12,379
Local authorities and public corporations		1,528	1,521
TOTAL		917,014	983,340

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

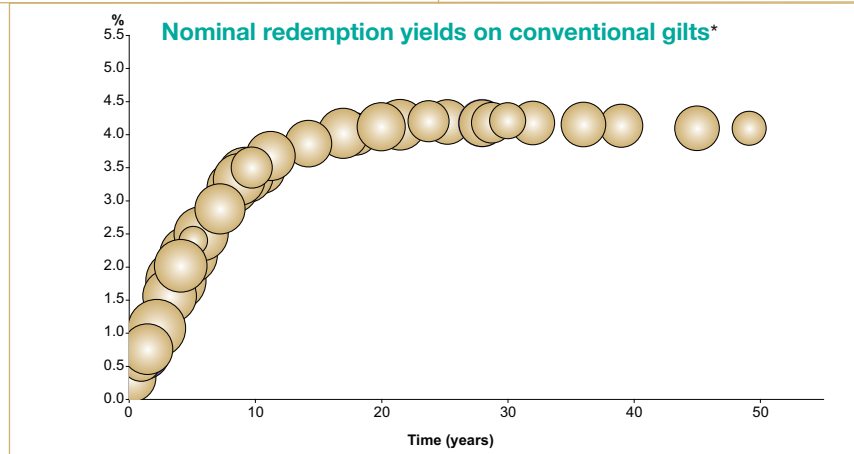
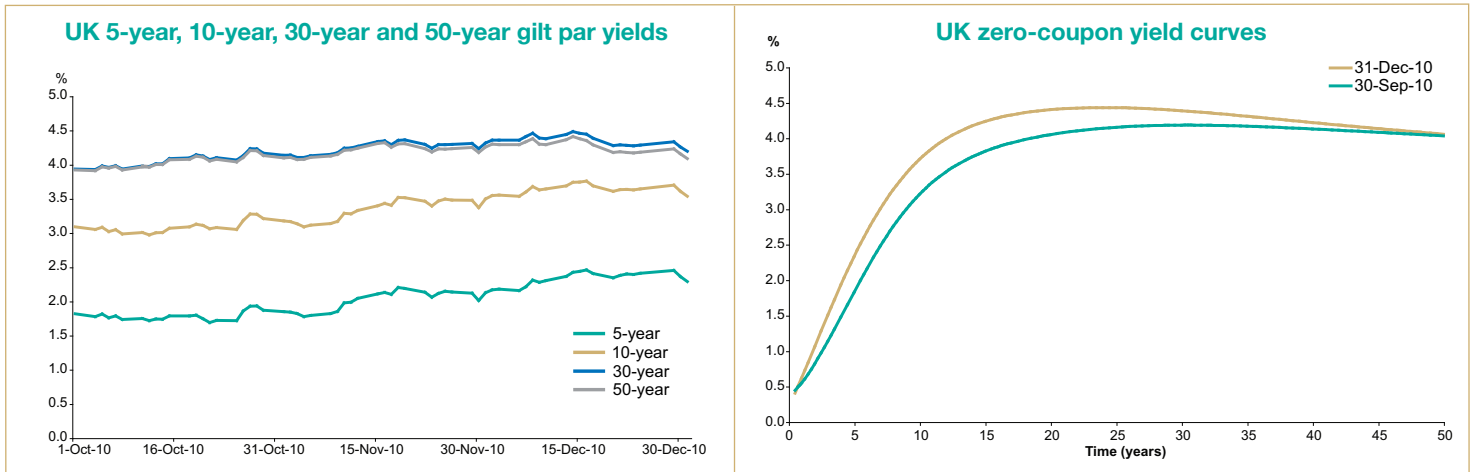
Overseas holdings of gilts



Source: ONS

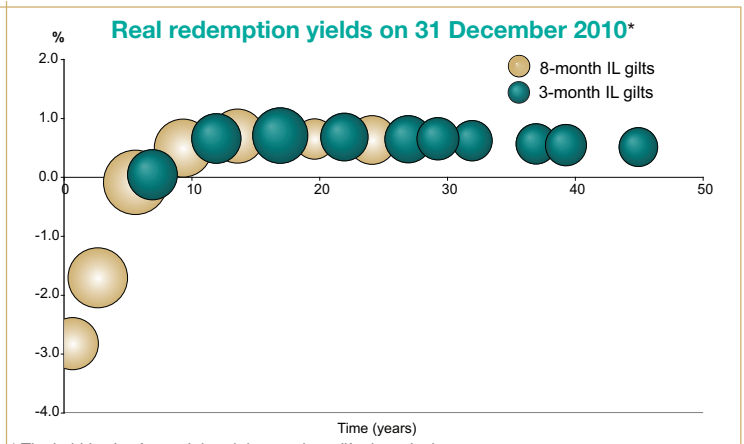
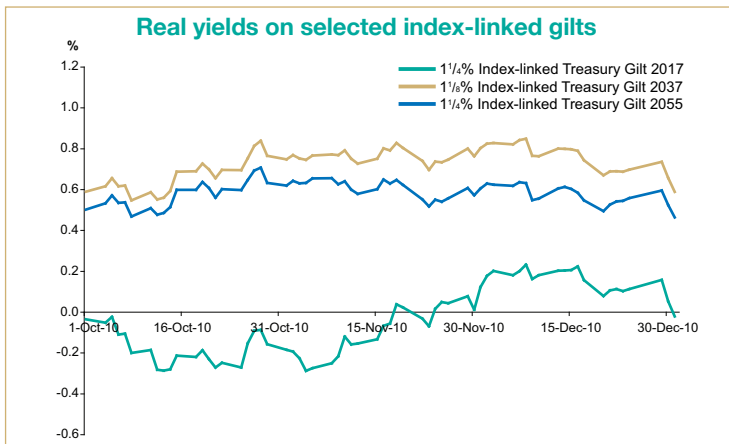
** These are based on uplifted nominal values. Figures in the pie charts may not sum due to rounding.

Conventional gilts

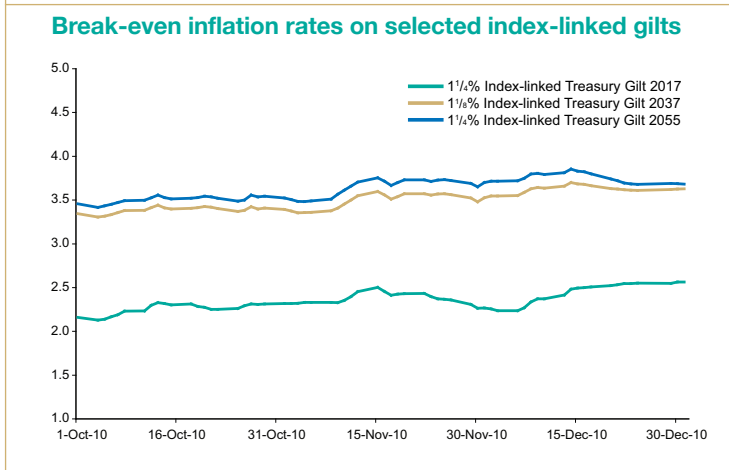


* Rump gilts are not displayed in this chart.

Index-linked gilts



* 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	269.01	271.64
2 1/2% Index-linked Treasury Stock 2016	315.95	323.60
1 1/4% Index-linked Treasury Gilt 2017	139.23	143.87
2 1/2% Index-linked Treasury Stock 2020	340.99	353.45
1 7/8% Index-linked Treasury Gilt 2022	148.39	157.12
2 1/2% Index-linked Treasury Stock 2024	321.71	342.58
1 1/4% Index-linked Treasury Gilt 2027	177.94	193.04
4 1/8% Index-linked Treasury Stock 2030	269.71	295.72
1 1/4% Index-linked Treasury Gilt 2032	179.95	200.04
2% Index-linked Treasury Stock 2035	234.57	262.88
1 1/8% Index-linked Treasury Gilt 2037	218.61	249.00
0 7/8% Index-linked Treasury Gilt 2040	216.29	249.17
0 5/8% Index-linked Treasury Gilt 2042	235.45	274.79
0 3/4% Index-linked Treasury Gilt 2047	272.43	325.79
0 1/2% Index-linked Treasury Gilt 2050	280.96	339.82
1 1/4% Index-linked Treasury Gilt 2055	358.87	446.19

Data extracted from www.dmo.gov.uk report D9C on: 28/01/11.

Gilt market flows (£mn)

	Gross gilt issuance (cash)	Redemptions	Coupons*	Net financing from gilts after redemptions and coupons
Oct-09	26,035	0	-217	25,818
Nov-09	17,034	0	-634	16,400
Dec-09	14,163	-12,585	-7,163	-5,585
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		0	-1,769	-
Feb-11		0	-895	-
Mar-11		18,489	-10,073	-

Figures may not sum due to rounding.

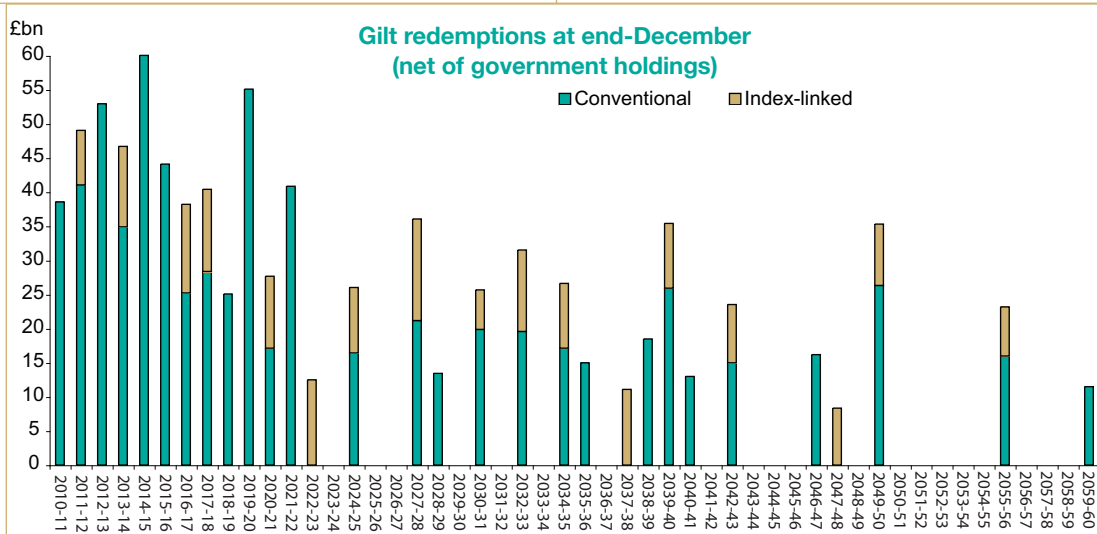
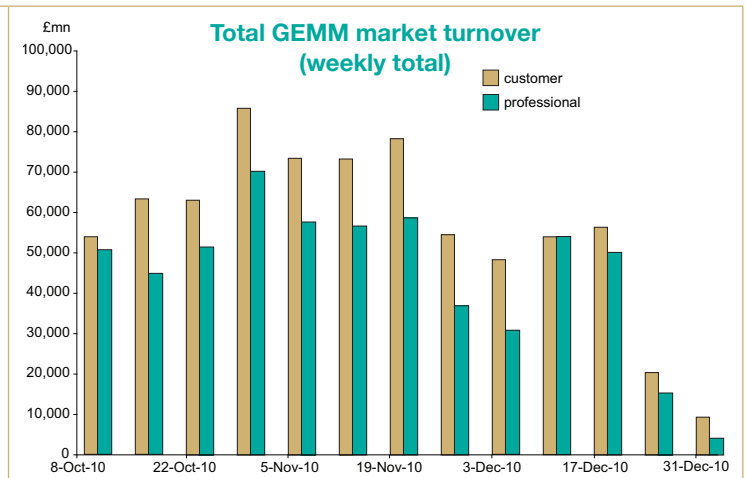
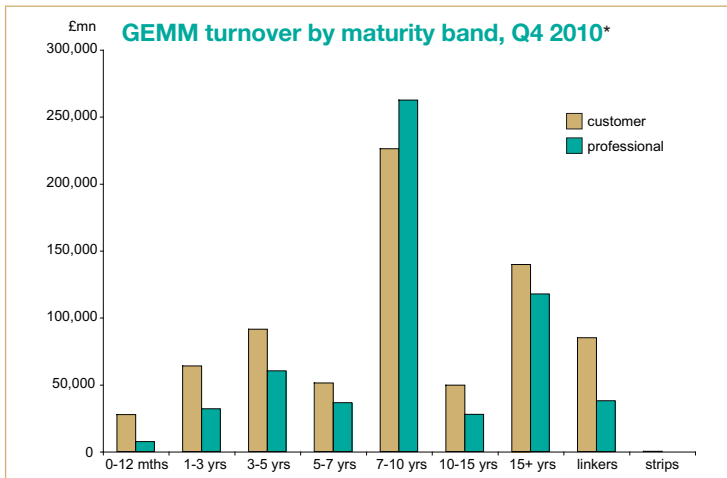
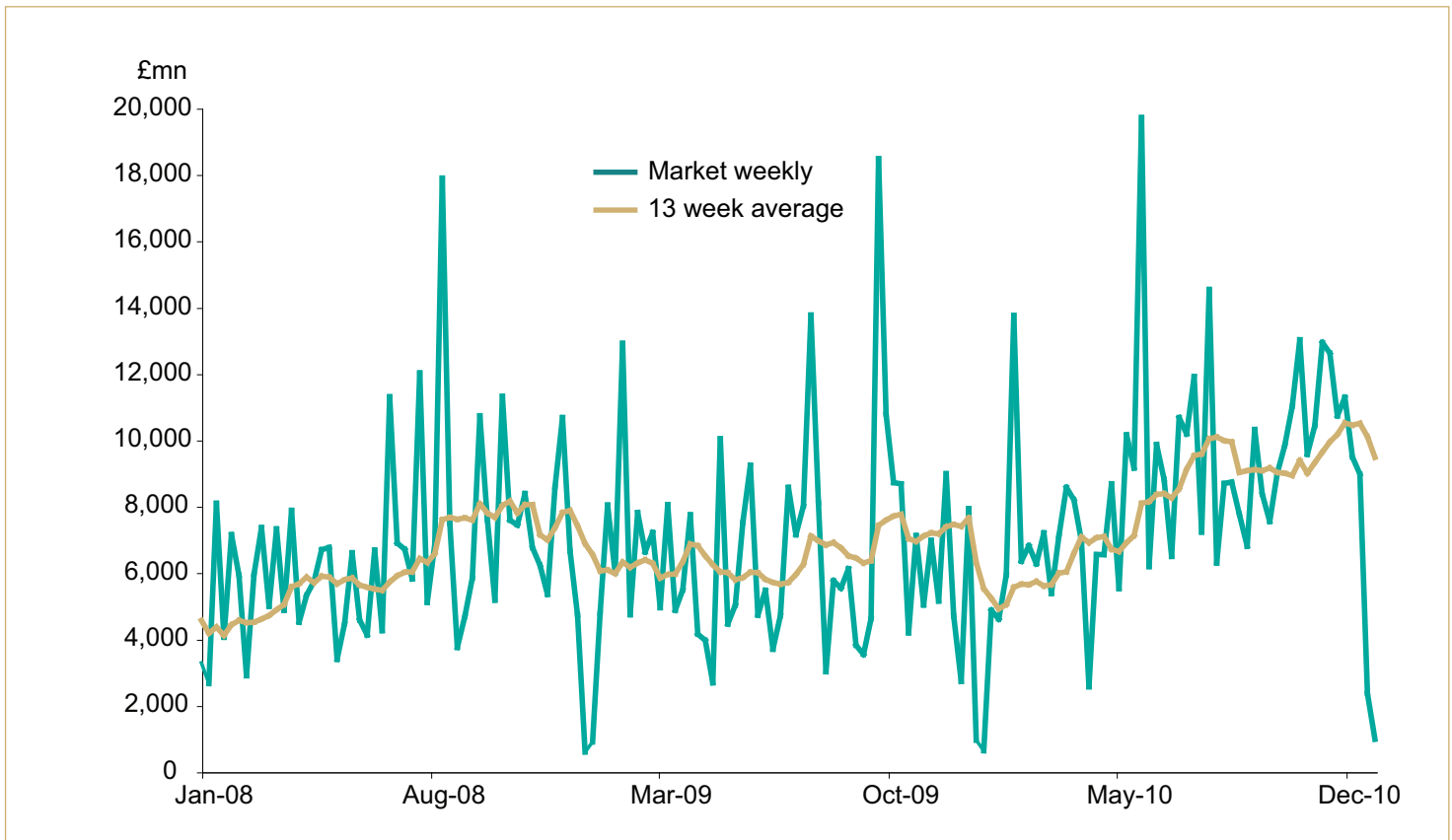
*Coupon flow numbers are for the stock of debt outstanding at end-quarter.

2009-10 and 2010-11 financing requirements

(£bn)	2009-10 (Outturn)	2010-11 (June 2010 Budget)	2010-11 (Autumn Forecast 2010)
CGNCR forecast	198.8	146.1	144.2
Redemptions	16.6	38.6	38.6
Financing for the Bank's Asset Purchase Facility	-0.9	0.0	0.0
Financing for the Official Reserves	4.0	4.0	6.0
Debt buy-backs	0.4	0.1	0.2
Planned short-term financing adjustment	-0.6	-26.3	-26.3
Gross financing requirement	218.4	162.5	162.7
Less			
National Savings & Investments' contribution	1.6	0.0	0.0
Net financing requirement	216.8	162.5	162.7
Gilt sales planned during the year	227.6	165.0	165.2
Change in planned Treasury bill stock	19.4	-2.5	-2.5
Change in Ways and Means	-3.8	0.0	0.0
DMO net cash position at end of financial year	26.8	0.5	0.5

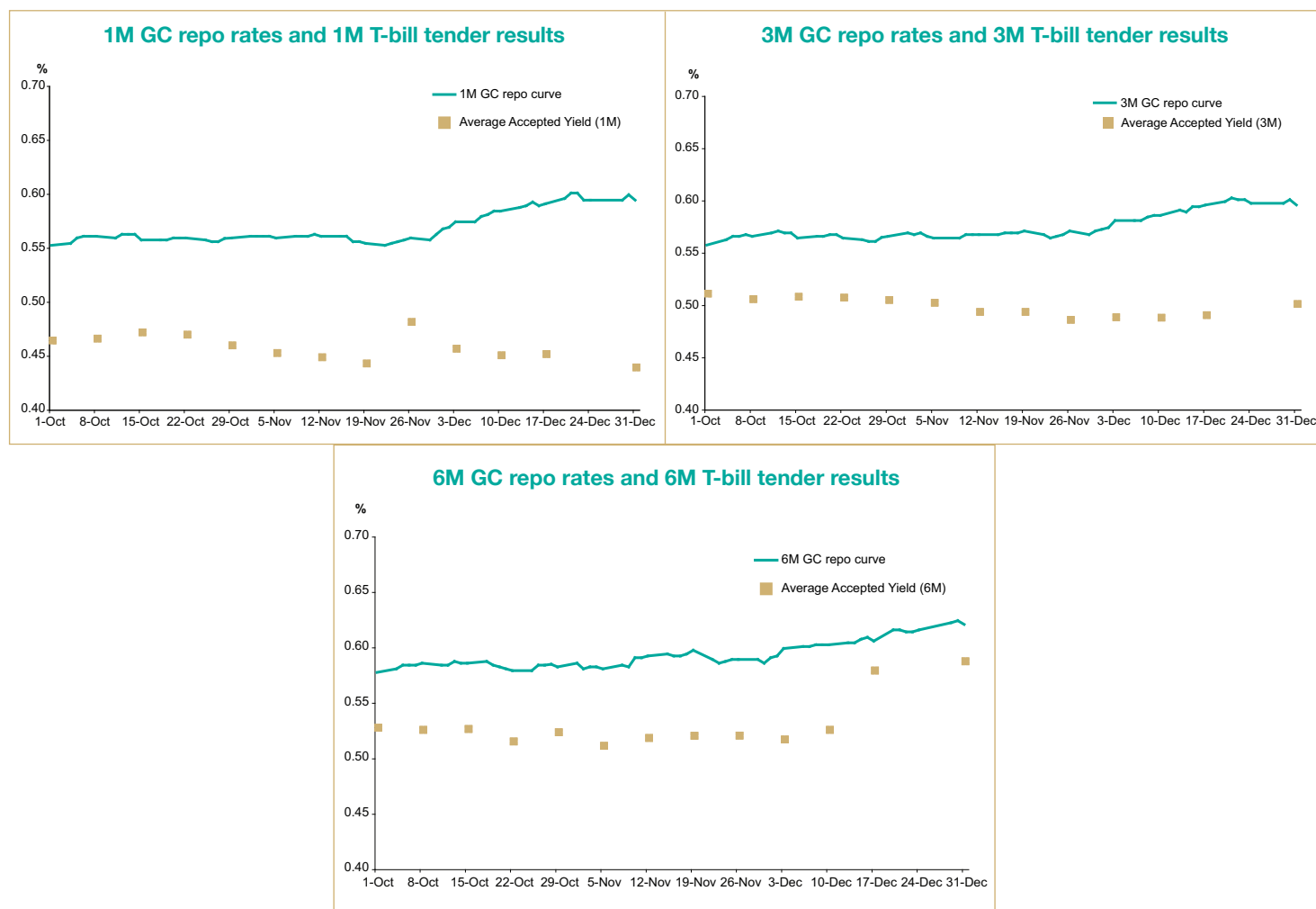
Figures may not sum due to rounding.

Index-linked gilt market turnover 2008-2010



*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



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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 2010-11

http://www.dmo.gov.uk/documentview.aspx?docname=remit/drmr1011.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/Formulæ>

Public Works Loan Board (PWLB)

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

ECONOMIC AND FISCAL OUTLOOK: REVISION TO THE DMO'S FINANCING REMIT¹ (29 November 2010)

The Economic and Fiscal Outlook

The revisions to the fiscal aggregates announced by the Office for Budget Responsibility (OBR) showed an increase in the Government's net financing requirement for 2010-11 of £0.2 billion to £162.7 billion compared with the projection published at the June 2010 Budget. The factors contributing to this change are:

- a reduction of £1.9 billion to £144.2 billion in the forecast Central Government Net Cash Requirement (CGNCR) for 2010-11;
- an increase of £2.0 billion to £6.0 billion in sterling financing for the foreign currency reserves; and
- an increase of £0.1 billion, to £0.2 billion, in secondary market gilt purchases completed by the DMO in 2010-11 to-date.

Revision to the DMO's Financing Remit 2010-11

Gilt Sales

Planned gilt sales are rising by £0.2bn to £165.2bn with this increase being absorbed via increased sales of short-dated and long-dated conventional gilts which are each projected to rise by £0.1bn to £52.7bn and £40.5bn respectively.

The proportional split of sales is essentially unchanged from the remit revision announced at the June 2010 Budget, namely:

- Short conventional: £52.7 billion
- Medium conventional: £38.2 billion
- Long conventional: £40.5 billion
- Index-linked: £33.8 billion

No additional gilt auctions are scheduled for January-March 2011.

Treasury Bills

The planned end-financial year stock of Treasury bills is unchanged at £60.8 billion with the planned contribution from the Treasury bills to financing in 2010-11 remaining at -£2.5bn.

Treatment of additional proceeds from the long supplementary sales programme

At the June 2010 Budget total long conventional gilt sales of £40.4 billion were planned, comprising £24.2 billion via auctions and £16.2 billion via supplementary methods (£12.8 billion via syndications and £3.4 billion via mini-tenders). The outturn from supplementary methods was £0.2 billion higher than planned at £16.4 billion as a result of long-dated conventional issuance via syndication raising £13.0 billion.

¹ This is an edited version of the full announcement which is available at: <http://www.dmo.gov.uk/documentview.aspx?docname=remit/sa291110.pdf&page=Remit/fulldetails>

Total planned long-dated conventional gilt sales are today rising by £0.1 billion to £40.5 billion, but as a result of the £0.2 billion higher than expected outturn from supplementary sales, planned sales at auctions are being reduced by £0.1 billion to £24.1 billion. The updated planned split of issuance is shown in Table 1.

Table 1: Planned gilt issuance split by method of issue, type and maturity of gilt in 2010-11

Figures in red = sale programmes complete				
	Auction	Syndication	Mini-tender	Total
Short-dated conventional				
£ billion	52.7			52.7
Per cent				31.9
Medium-dated conventional				
£ billion	38.2			38.2
Per cent				23.1
Long-dated conventional				
£ billion	24.1	13.0	3.4	40.5
Per cent				24.1
Index-linked				
£ billion	17.0	13.2	3.6	33.8
Per cent				20.5
Total	132.0	26.2	7.0	165.2

*As a planning assumption the DMO will use the supplementary issuance programme to sell long-dated conventional and index-linked gilts. Figures may not sum due to rounding.

Changes to average gilt auction sizes

The average required auction sizes for the remainder of the financial year are being reduced as a result of the allocation of proceeds arising from take-up of the Post Auction Option Facility (PAOF)². In addition, the average auction size for long conventional gilts is being marginally lowered as a result of a reduction by £0.1 billion to £24.1 billion in planned auction sales.

The resultant average required auction sizes for the remainder of the financial year are shown in Table 2 below.

Table 2: Average auction sizes (£bn)

	Short	Medium	Long	Index-linked
Pre-Autumn Forecast	4.24	3.36	2.18	1.08
Post-Autumn Forecast	3.42	2.70	2.00	0.95
Change	-0.82	-0.65	-0.18	-0.13

Figures may not sum due to rounding.

¹ The Post Auction Option Facility (PAOF) offers to successful bidders at auctions (both primary dealers and investors) an option to top up gilt purchases by up to 10 per cent of the amount allocated to them at auction, at the average accepted price at conventional auctions and the clearing price at index-linked auctions.

Future financing projections

The Economic and Fiscal Outlook also included updated projections for the CGNCR from 2011-12 to 2015-16. Table 3 shows annual illustrative gross financing requirements from 2011-12 to 2015-16 using the new projections plus latest estimates for gilt redemptions in these years. These are not gilt sales forecasts and, in particular, they make no assumption about any contribution to financing from National Savings & Investments or Treasury bill sales.

Table 3: Illustrative gross financing projections (£bn)

	2011-12	2012-13	2013-14	2014-15	2015-16
CGNCR projections	120	91	70	39	27
Gilt redemptions	49	53	47	60	40
Gross financing requirement	169	144	117	98	67
CGNCR change since June 2010 Budget	-1	1	5	4	na
Redemption change since June 2010 Budget	0	0	0	8	na

Figures may not sum due to rounding.