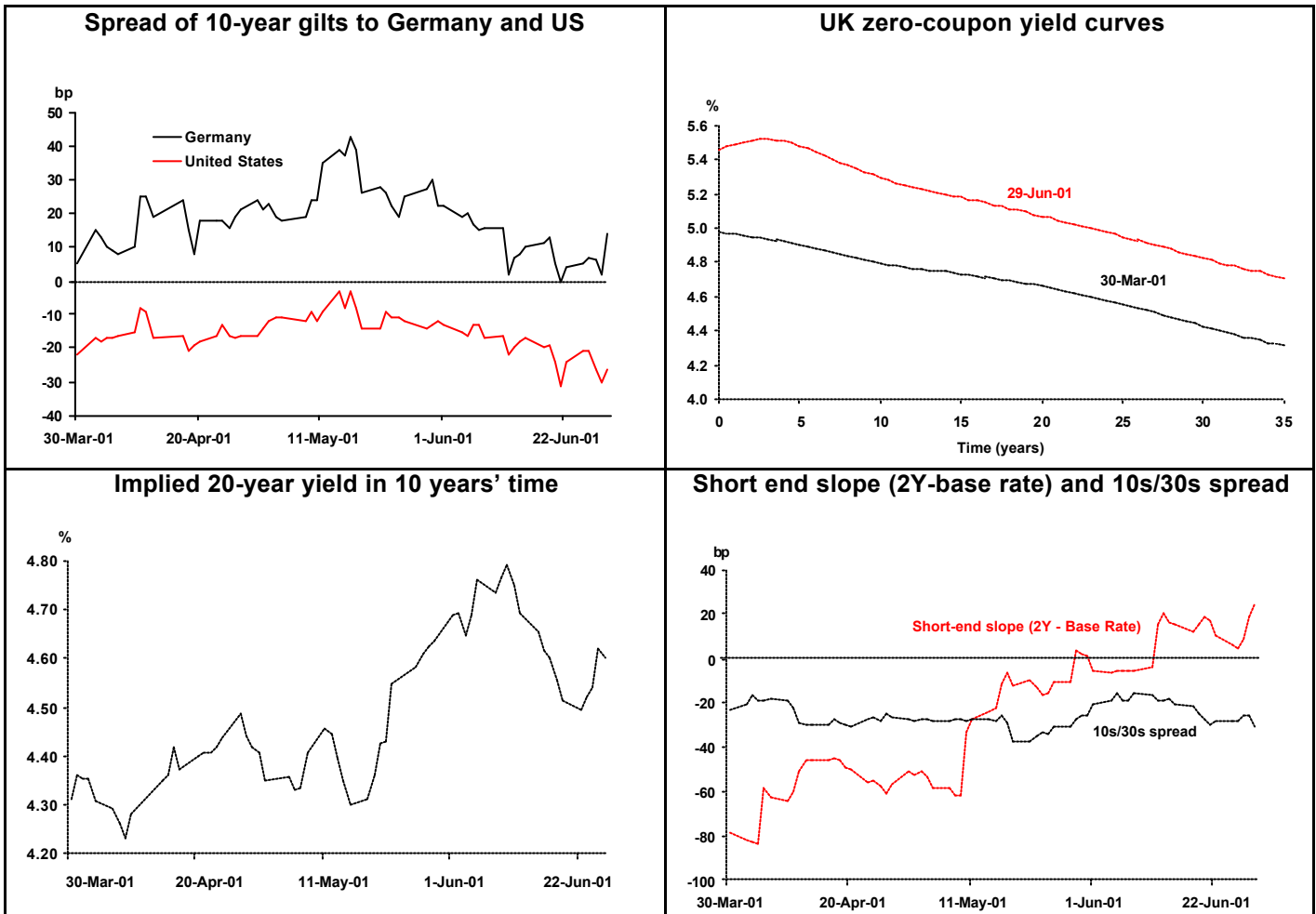


April - June 2001

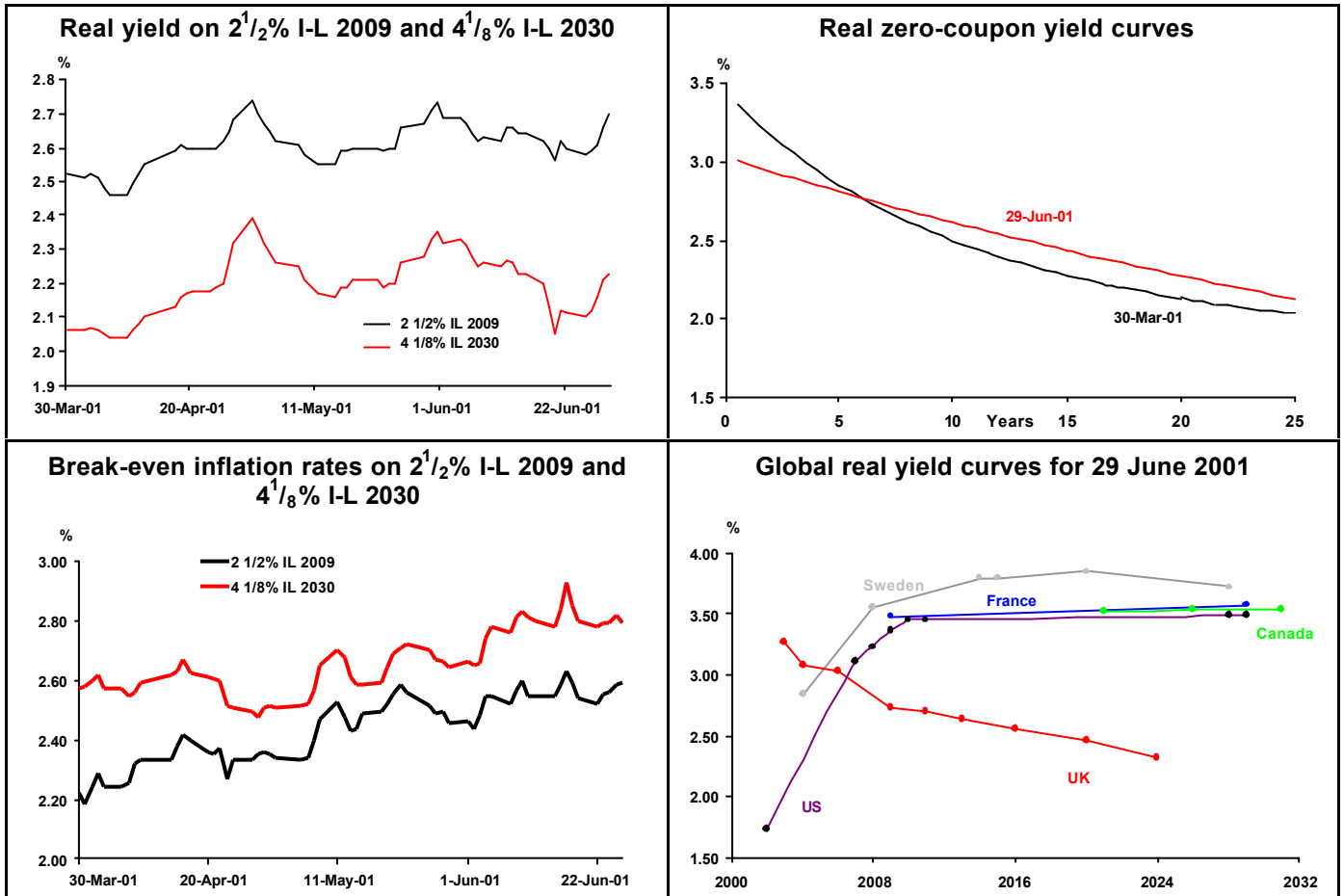
## Conventional gilts



Yields at all maturities increased during the quarter. The Bank of England lowered its repo rate twice during the period at its April and May meetings. This altered interest rate sentiment in the latter part of the quarter as it was considered that the Bank had completed either most or all of its monetary policy easing. As a result, the short-end of the gilts curve disinverted sharply. The spread between the 2-year benchmark and the Bank of England's repo rate increased from  $-78\text{bp}$  at the end of March to finish the quarter at  $+25\text{bp}$ . This trend was not evident further down the curve and the 10s/30s spread finished the quarter at  $-30\text{bp}$ , a 7bp greater inversion that at the start of the period. During the quarter the implied 20-year yield at 2011 increased from 4.31% to reach a peak of 4.80% on 13 June, still 39bp below the actual 20-year yield on that day. Following a mild reinversion during late-June this forward rate ended the quarter at 4.60%.

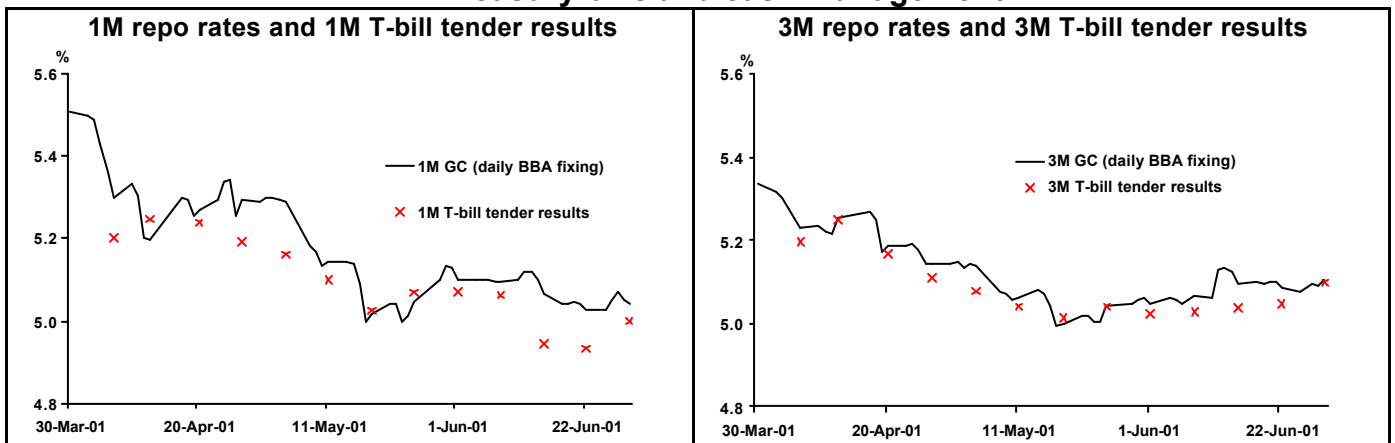


## Index-linked gilts



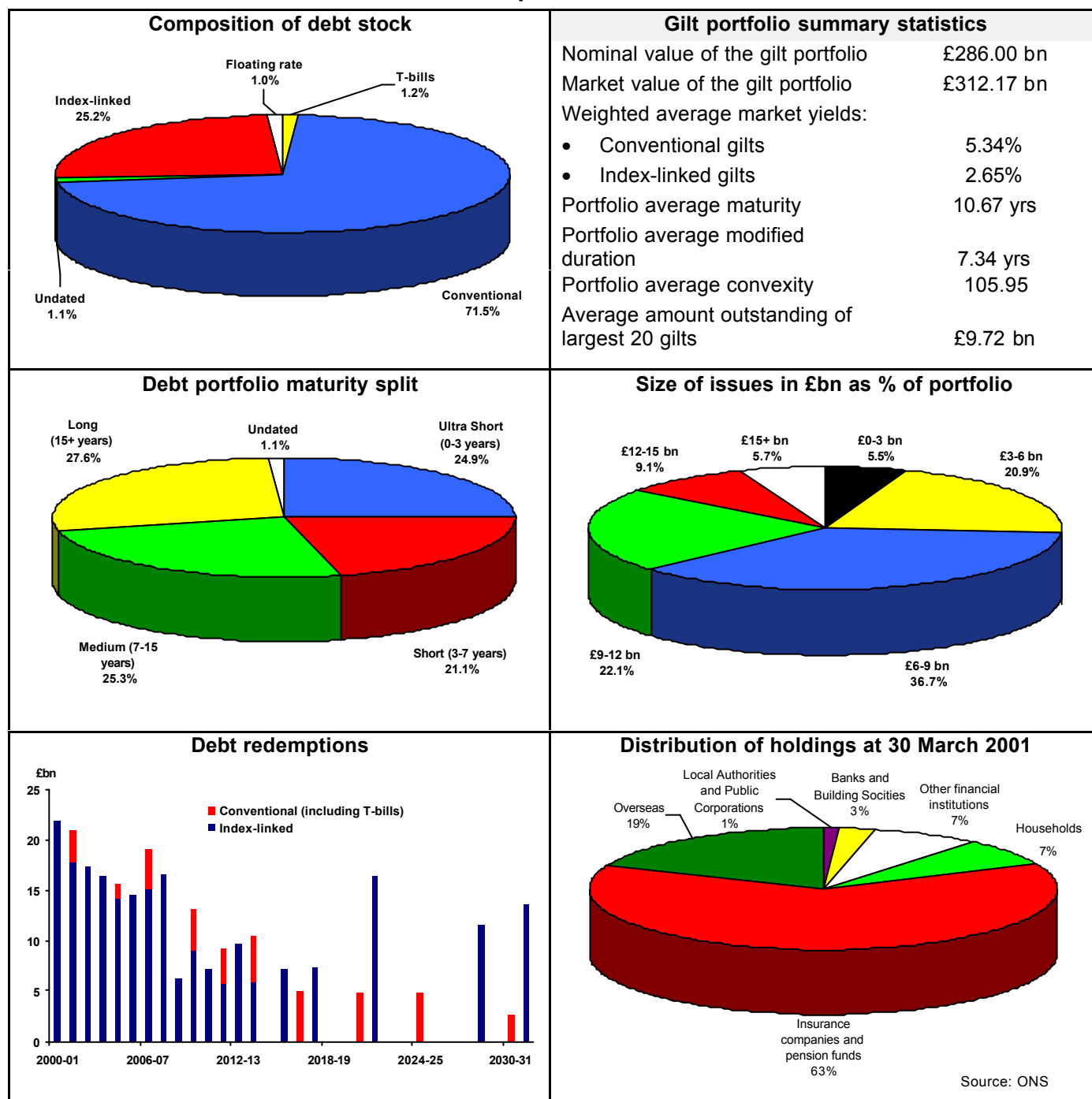
The real yield curve flattened during the quarter. Near dated yields fell, while the largest increase in real yields was seen around the 10-year sector of the curve. The real yield on the 2 1/2% I-L 2009 stock increased 19bp to 2.73% over the period. However, index-linked gilts were still able to slightly outperform conventionals and the break-even inflation rate at the 30-year sector of the curve increased slightly during the quarter from 2.57% to 2.79%. On 19 June the DMO held a mini-tender and sold £95mn of the 4 1/8% IL 2030 stock that had previously been purchased from the market. The stock was sold at a strike price of £180.05 and a real yield at this level of 2.17%.

## Treasury bills and cash management



Weekly tenders of 1-month and 3-month T-bills were maintained throughout the quarter. The size of the 1-month T-bill tenders was increased during the final four weeks of the quarter to a maximum value of £750mn. This brought the stock of T-bills outstanding to £4.05bn on 2 July 2001. During the period 1-month bills were sold at an average 5.7bp premium to the repo rate and 3-month bills at an average 2.6bp better than the corresponding repo rate.

## Details of the debt portfolio as of 29 June 2001



Source: ONS

## 2000-01 and 2001-02 financing requirements

Note: figures may not sum due to rounding	Budget 2000 financing requirement for 2000-01	Budget 2001 financing requirement for 2000-01	2000-01 Outturn	Budget 2001 financing requirement for 2001-02
CGNCR forecast	-4.9	-33.3	-35.2	0.3
Replacing foreign currency debt	3.5	9.3	9.4	1.3
Redemptions	18.6	18.6	18.6	17.8
Debt buy-backs	3.5	5.5	5.7	1.0
Residual from 1999-2000	-9.5	-12.8	-12.8	na
<b>Financing requirement</b>	<b>11.2</b>	<b>-12.7</b>	<b>-14.3</b>	<b>20.4</b>
Less				
National Savings contribution	-0.8	-0.7	-0.6	-3.0
DMO cash deposit at Bank of England	-0.2	-0.2	-0.5	0.3
<b>Net financing requirement</b>	<b>12.2</b>	<b>-11.8</b>	<b>-13.2</b>	<b>23.4</b>
Change in Ways and Means	Na	-3.6	-3.6	0.0
Change in planned Treasury bill stock	Na	-6.5	-6.7	5.0
Change in levels of net short-term debt	Na	-11.7	-12.9	4.6
<b>Gilt sales planned during year</b>	<b>12.2</b>	<b>10.0</b>	<b>10.0</b>	<b>13.5</b>

## Gilt auction results Q2 2001

Outright auction results						
Auction date	Issue amount	Stock	Cover	Tail (bp)	Average accepted price	Yield at average price
24-May-01	£2,500mn	5% 2012	2.49	0	£98.81	5.15%
25-Apr-01	£400mn	2½% IL 2011	1.92	N/A <sup>a</sup>	£225.30	2.59%

<sup>a</sup> Index-linked gilts are issued through a uniform price format.

Switch auction results						
Date	Source Stock	Nominal Switched	Destination Stock	Nominal Created	Average DP ratio <sup>b</sup>	Cover ratio
21-Jun-01	8½% 2007	£1,400mn	5% 2012	£1,694mn	1.2098	2.61

<sup>b</sup> Dirty Price ratio based on the average accepted price of the destination stock

Index-linked gilt mini tender					
Date	Stock	Amount Sold (nominal)	Strike price	Real yield at strike price	
19-Jun-01	4⅛% IL 2030	£95mn	£180.05	2.17%	

## Treasury bill tender results Q2 2001

Tender date	Stock amount (£mn)	Average yield (%)	Average price	Cover	Yield tail (tenths of a bp)
<b>3 month T-bills</b>					
06-Apr	100	5.1975	98.7208	8.55	2.5
12-Apr	100	5.2500	98.7220	5.45	0.0
20-Apr	100	5.1690	98.7277	10.35	21.0
27-Apr	100	5.1104	98.7419	8.02	19.6
04-May	100	5.0775	98.7635	8.30	22.5
11-May	100	5.0400	98.7590	7.80	10.0
18-May	100	5.0150	98.7651	5.85	5.0
25-May	100	5.0400	98.7590	6.35	0.0
01-Jun	100	5.0220	98.7634	6.20	18.0
08-Jun	100	5.0303	98.7614	9.10	19.7
15-Jun	100	5.0380	98.7595	8.70	2.0
22-Jun	100	5.0470	98.7573	9.80	13.0
29-Jun	100	5.1000	98.7445	7.55	0.0
<b>1 month T-bills</b>					
06-Apr	300	5.2000	99.5885	7.87	0.0
12-Apr	150	5.2467	99.6134	6.37	0.3
20-Apr	150	5.2393	99.5997	8.87	0.7
27-Apr	150	5.1933	99.5891	6.57	0.7
04-May	150	5.1610	99.6197	8.03	39.0
11-May	150	5.1000	99.6103	8.37	0.0
18-May	150	5.0264	99.6159	5.57	23.6
25-May	150	5.0700	99.6264	7.57	0.0
01-Jun	150	5.0724	99.6124	6.57	7.6
08-Jun	500	5.0631	99.6131	7.33	6.9
15-Jun	750	4.9433	99.6222	7.53	6.7
22-Jun	750	4.9331	99.6230	7.15	6.9
29-Jun	750	4.9986	99.6180	4.79	1.4

## Details of market turnover

### Top twenty stocks traded (by market value) in the thirteen weeks to 29 June 2001

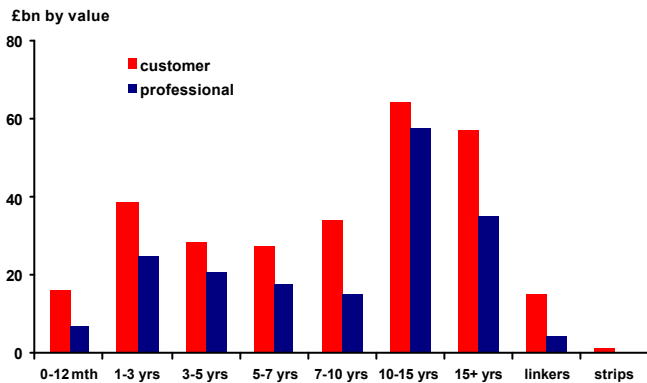
Stock	Market value of trades (£mn)	% of value of all gilt trades	Turnover Ratio <sup>a</sup>	Number of bargains ('000s)	Average bargain size (£mn)
9% Conversion 2011	61,525	13%	8.90	4	16
6% Treasury 2028	40,545	9%	3.02	8	5
8½% Treasury 2005	28,187	6%	2.40	5	6
5¾% Treasury 2009	27,175	6%	2.94	14	2
8% Treasury 2021	26,613	6%	1.17	6	4
6½% Treasury 2003	24,870	5%	3.02	5	5
4¼% Treasury 2032	22,131	5%	1.79	4	6
7% Treasury 2002	22,081	5%	2.40	3	8
7½% Treasury 2006	18,571	4%	1.43	11	2
8% Treasury 2015	17,997	4%	1.90	4	4
7¼% Treasury 2007	17,314	4%	1.41	9	2
5% Treasury 2012	16,985	4%	4.07	2	7
9% Treasury 2012	16,455	3%	2.31	3	6
6¼% Treasury 2010	15,590	3%	3.02	4	4
5% Treasury 2004	14,392	3%	1.96	5	3
6¾% Treasury 2004	13,125	3%	1.92	5	2
7% Treasury 2001	12,492	3%	0.97	4	3
8% Treasury 2003	11,253	2%	1.53	3	3
9% Treasury 2008	10,880	2%	1.62	3	4
8% Treasury 2013	8,534	2%	1.11	2	4
<b>Total market</b>	<b>473,840</b>			<b>137</b>	<b>3</b>

The top twenty stocks account for 90% of total market turnover.

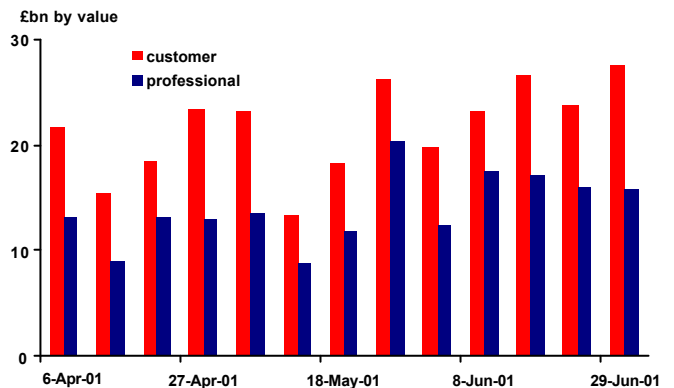
This information is based on provisional information provided by the London Stock Exchange and should only be treated as indicative.

<sup>a</sup> The total nominal value of the stock traded over the quarter relative to the nominal amount outstanding at the end of quarter.

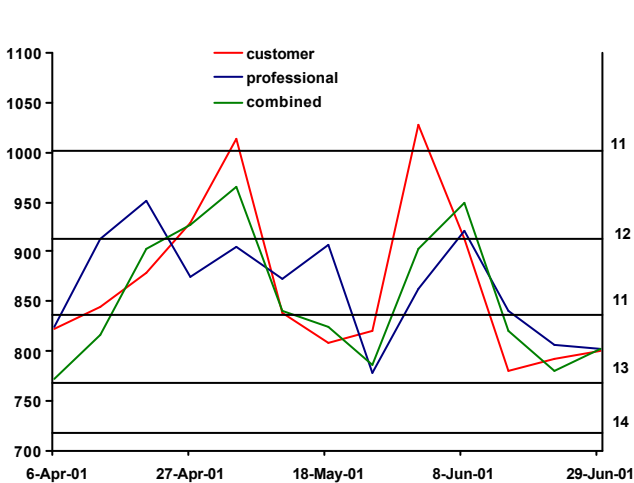
### GEMM turnover by maturity band, Q2 2001



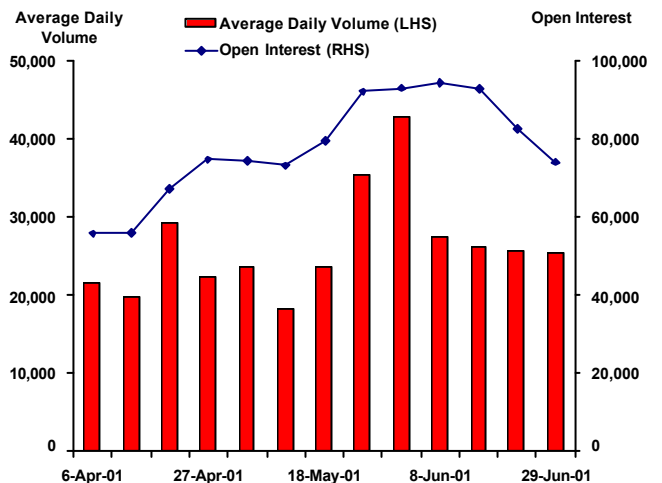
### Total GEMM market turnover (weekly total)



### 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 29 June 2001 (£mn nominal)

Conventional gilts	Redemption date	Amount in issue	Amount held in stripped form	DMO/NILO <sup>a</sup> holdings
Floating Rate 2001	10-Jul-01	3,000	-	497
7% Treasury 2001	06-Nov-01	12,750	-	1110
7% Treasury 2002	07-Jun-02	9,000	227	207
9¾% Treasury 2002	27-Aug-02	6,527	-	108
8% Treasury 2002-2006	05-Oct-02	2,050	-	184
8% Treasury 2003	10-Jun-03	6,999	-	418
10% Treasury 2003	08-Sep-03	1,768	-	0
6½% Treasury 2003	07-Dec-03	7,987	57	199
5% Treasury 2004	07-Jun-04	7,408	115	259
3½% Funding 1999-2004	14-Jul-04	543	-	32
6¾% Treasury 2004	26-Nov-04	6,500	-	373
9½% Conversion 2005	18-Apr-05	4,374	-	0
8½% Treasury 2005	07-Dec-05	10,373	288	192
7¾% Treasury 2006	08-Sep-06	3,857	-	321
7½% Treasury 2006	07-Dec-06	11,700	265	168
8½% Treasury 2007	16-Jul-07	4,530	-	254
7¼% Treasury 2007	07-Dec-07	11,000	232	132
5½% Treasury 2008-2012	10-Sep-08	1,000	-	157
9% Treasury 2008	13-Oct-08	5,441	-	0
5¾% Treasury 2009	07-Dec-09	8,827	47	242
6¼% Treasury 2010	25-Nov-10	4,750	-	269
9% Conversion 2011	12-Jul-11	5,273	-	82
7¾% Treasury 2012-2015	26-Jan-12	800	-	243
5% Treasury 2012	07-Mar-12	4,219	-	26
9% Treasury 2012	06-Aug-12	5,361	-	0
8% Treasury 2013	27-Sep-13	6,100	-	305
8% Treasury 2015	07-Dec-15	7,288 <sup>a</sup>	429	83
8¾% Treasury 2017	25-Aug-17	7,550	-	179
8% Treasury 2021	07-Jun-21	16,500	307	105
6% Treasury 2028	07-Dec-28	11,512	196	65
4¼% Treasury 2032	07-Jun-32	13,580	105	2
2½% Treasury	Undated	474	-	0
3½% War	Undated	1,909	-	0
Index-linked gilts	Redemption date	Amount in issue	Nominal including inflation uplift	DMO/NILO <sup>a</sup> holdings
2½% I-L Treasury 2001	24-Sep-01	2,150	4,713	284
2½% I-L Treasury 2003	20-May-03	2,700	5,883	117
4 3/8% I-L Treasury 2004	21-Oct-04	1,300	1,645	16
2% I-L Treasury 2006	19-Jul-06	2,500	6,174	0
2½% I-L Treasury 2009	20-May-09	2,625	5,719	26
2½% I-L Treasury 2011	23-Aug-11	3,875	8,920	3
2½% I-L Treasury 2013	16-Aug-13	4,635	8,917	17
2½% I-L Treasury 2016	26-Jul-16	4,965	10,438	65
2½% I-L Treasury 2020	16-Apr-20	4,175	8,635	0
2½% I-L Treasury 2024	17-Jul-24	4,820	8,469	30
4 1/8% I-L Treasury 2030	22-Jul-30	2,600	3,302	0
Rump gilts	Redemption date	Amount in issue		DMO/NILO <sup>b</sup> holdings
9½% Conversion 2001	12-Jul-01	3		3
9¾% Conversion 2001	10-Aug-01	35		28
10% Conversion 2002	11-Apr-02	21		12
9½% Conversion 2002	14-Jun-02	2		2
9% Exchequer 2002	19-Nov-02	83		66
11¾% Treasury 2003-2007	22-Jan-03	234		71
9¾% Conversion 2003	07-May-03	11		9
12½% Treasury 2003-2005	21-Nov-03	152		49
13½% Treasury 2004-2008	26-Mar-04	95		14
10% Treasury 2004	18-May-04	20		5
9½% Conversion 2004	25-Oct-04	307		98
10½% Exchequer 2005	20-Sep-05	23		14
9¾% Conversion 2006	15-Nov-06	6		3
8% Treasury 2009	25-Sep-09	393		67
12% Exchequer 2013-2017	12-Dec-13	57		2
2½% Annuities	Undated	3		0
3% Treasury	Undated	56		6
3½% Conversion	Undated	98		73
2½% Consolidated	Undated	275		41
2¾% Annuities	Undated	1		0
4% Consolidated	Undated	358		22

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

<sup>a</sup> Excludes the £108mn (nominal) of 8% 2015 created on 29 June 2001 under the terms of the DMO's standing repo facility and cancelled on 2 July 2001

<sup>b</sup> 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 Q3 2001

Date	July	August	September
1			
2			
3		Structured T-bill tender	
4			
5			
6	Structured T-bill tender		
7			Structured T-bill tender
8			
9			
10	Announcement of size of switch auction of 2% IL 2006 into 2½% I-L 2016 stock to be held on 19 July.	Structured T-bill tender	
11			
12			
13	Structured T-bill tender		
14			Structured T-bill tender
15			
16			
17	Announcement of size of 2½% I-L 2024 auction to be held on 25 July.	Structured T-bill tender	GEMM and end investor consultation meetings with DMO
18	Annual Report and Accounts published		Announcement of coupon and size of new 2025 stock to be held on 26 September. Publication of consultation meeting minutes
19	Switch auction of 2% IL 2006 into 2½% I-L 2016 stock. Close of conversion offer of 9% 2012 into 5% 2012 stock		
20	Provisional result of conversion offer and structured T-bill tender		
21			Structured T-bill tender
22			
23	Final result of conversion offer		
24		Structured T-bill tender	
25	Auction of 2½% I-L 2024 stock		
26			Auction of new 2025 stock
27	Structured T-bill tender		
28			Calendar of gilt and T-bill issuance for Q4 2001 and structured T-bill tender
29			
30	DMO operational in new office; Eastcheap Court 11 Philpot Lane London EC3M 8UD		
31		Structured T-bill tender	

### DMO wire services

Information Index	Reuters/Bridge/ADP	Telerate	Topic	Bloomberg
	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 07	47216 to 47222	44800 to 44809	DMO6<GO>
GEMMA ref prices (IL)	GEMMA08	47223	44805	DMO6<GO>
GEMMA ref prices (Strips)	GEMMA13 to 19	21291 to 21297	44850 to 44859	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](http://www.dmo.gov.uk)  
Comments on this publication and the web site would be welcomed by either Richard Batley or Mark Deacon.