



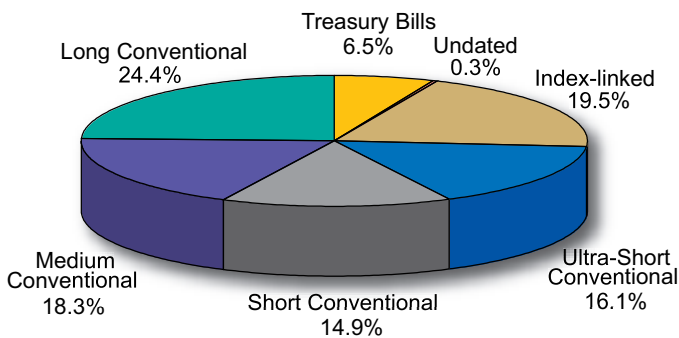
# Quarterly REVIEW

## Details of the gilt and Treasury bill portfolio at 31 March 2010

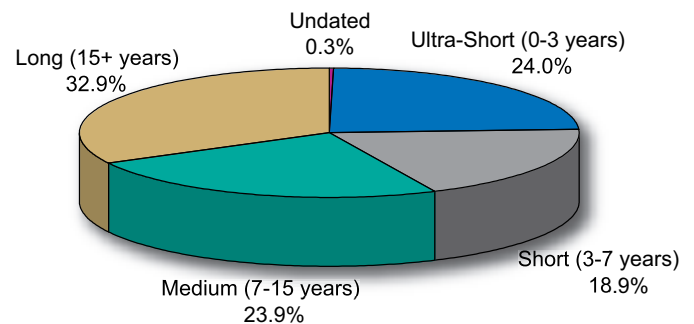
Portfolio summary statistics	31 December 2009	31 March 2010
Nominal value of the gilt and Treasury bill portfolio (including inflation uplift)	£911.34bn (£784.99bn)	£976.80bn (£850.01bn)
Nominal value of the gilt portfolio (including inflation uplift)	£863.72bn (£737.37bn)	£913.47bn (£786.68bn)
<ul style="list-style-type: none"> <li>Conventional gilts (inc. undated gilts)</li> <li>Index-linked gilts</li> </ul>	£681.19bn (£567.17bn) £182.53bn (£170.20bn)	£722.86bn (£608.51bn) £190.61bn (£178.17bn)
Market value of the gilt and Treasury bill portfolio (including inflation uplift)	£982.67bn (£843.91bn)	£1,050.15bn (£910.87bn)
Market value of the gilt portfolio	£935.08bn (£796.33bn)	£986.88bn (£847.59bn)
<ul style="list-style-type: none"> <li>Conventional gilts (inc. undated gilts)</li> <li>Index-linked gilts</li> </ul>	£723.91bn (£599.77bn) £211.18bn (£196.56bn)	£765.45bn (£641.12bn) £221.42bn (£206.47bn)
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>	3.34% 0.57%	3.22% 0.32%
Market value weighted average portfolio maturity (inc TBills):	13.47 years	13.15 years
Market value weighted average portfolio maturity (exc. TBills):	14.15 years	13.98 years
<ul style="list-style-type: none"> <li>Conventional gilts (exc. undated gilts)</li> <li>Index-linked gilts</li> </ul>	13.36 years 16.85 years	13.21 years 16.64 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>	8.38 years 14.45 years	8.24 years 14.33 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\*

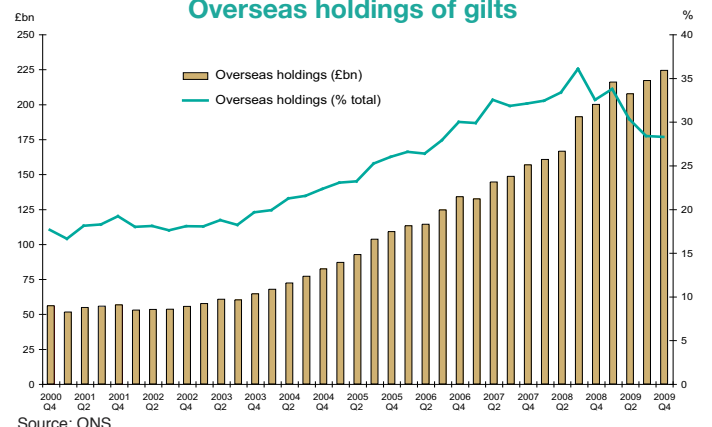


### Distribution of gilt holdings at 31 December 2009 (based on market values)

(£millions)	at end	Q3 2009	Q4 2009
Insurance companies and pension funds		250,053	253,824
Overseas		216,918	224,284
Bank of England		153,771	190,053
Other financial institutions and other		93,967	81,716
Banks		31,076	25,042
Building societies		12,899	13,527
Households		7,099	6,383
Local authorities and public corporations		1,462	1,497
<b>TOTAL</b>		<b>767,245</b>	<b>796,326</b>

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

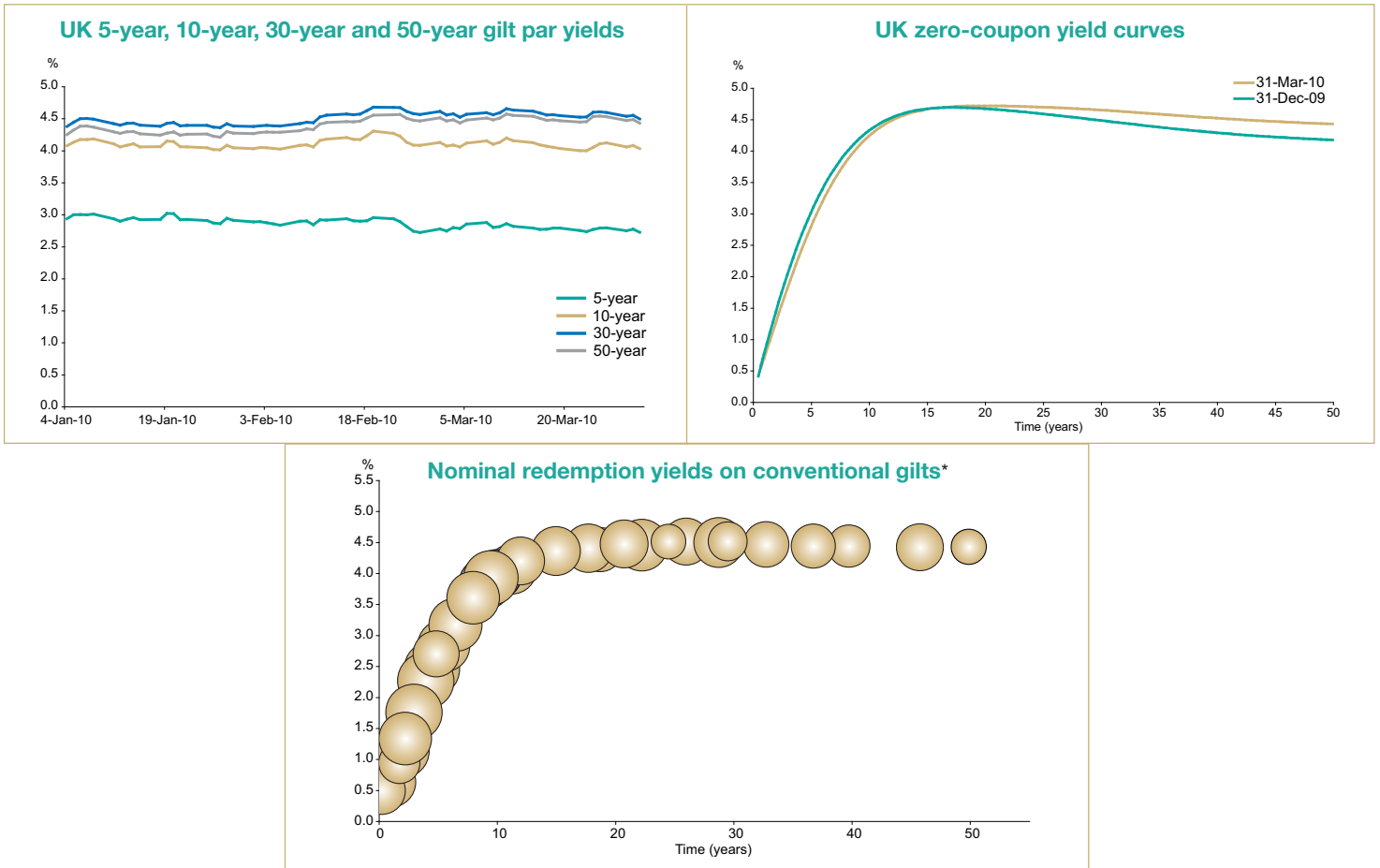
### Overseas holdings of gilts



Source: ONS

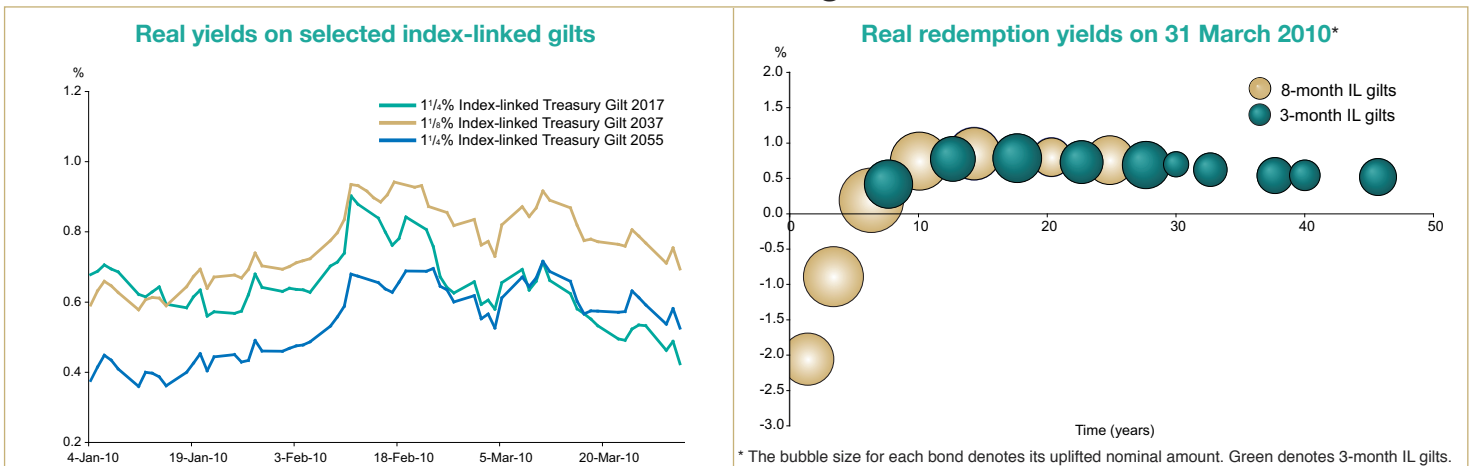
\* These are based on uplifted nominal values. Figures in the pie charts may not sum due to rounding.

### Conventional gilts

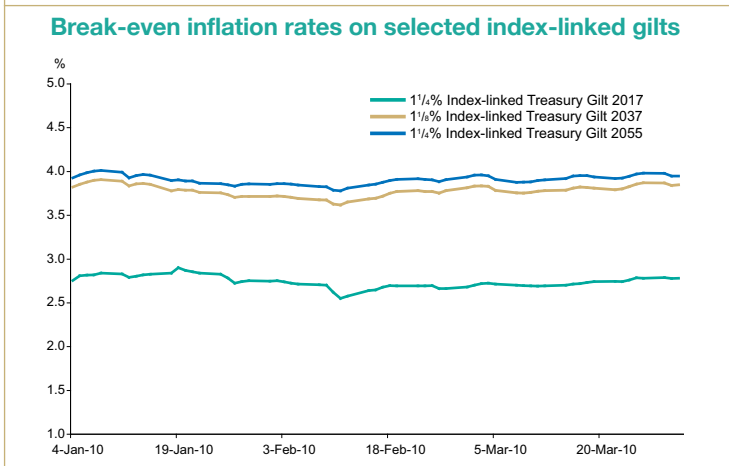


\* Rump gilts are not displayed in this chart.

### Index-linked gilts



\* The bubble size for each bond denotes its uplifted nominal amount. Green denotes 3-month IL gilts.



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

Gilt Name	£ (per £100 nominal)	
	2.50%	3.00%
2 1/2% Index-linked Treasury Stock 2011	300.14	301.36
2 1/2% Index-linked Treasury Stock 2013	263.54	267.20
2 1/2% Index-linked Treasury Stock 2016	309.52	318.31
1 1/4% Index-linked Treasury Gilt 2017	136.40	141.51
2 1/2% Index-linked Treasury Stock 2020	334.06	349.86
1 7/8% Index-linked Treasury Gilt 2022	145.38	154.55
2 1/2% Index-linked Treasury Stock 2024	315.17	336.98
1 1/4% Index-linked Treasury Gilt 2027	174.32	189.88
4 1/8% Index-linked Treasury Stock 2030	264.23	290.88
1 1/4% Index-linked Treasury Gilt 2032	176.29	196.77
2% Index-linked Treasury Stock 2035	229.80	258.58
1 1/4% Index-linked Treasury Gilt 2037	214.16	244.92
0 7/8% Index-linked Treasury Gilt 2040	211.89	245.09
0 5/8% Index-linked Treasury Gilt 2042	230.66	270.29
0 3/4% Index-linked Treasury Gilt 2047	266.89	320.46
0 1/2% Index-linked Treasury Gilt 2050	275.25	334.26
1 1/4% Index-linked Treasury Gilt 2055	351.57	438.89

Data extracted from www.dmo.gov.uk report D9C on: 01/01/10

## Gilt market flows (£mn)

	Gross gilt issuance (cash)	Redemptions	Coupons*	Net financing from gilts after redemptions and coupons
Jan-09	16,879	0	-1,060	15,819
Feb-09	18,686	0	-839	17,847
Mar-09	17,784	17,229	-5,216	-4,661
Apr-09	19,375	0	-223	19,152
May-09	14,249	-3,755	-681	9,813
Jun-09	24,270	0	-6,763	17,507
Jul-09	28,179	0	1,902	26,277
Aug-09	8,119	0	879	7,240
Sep-09	27,945	-208	-6,750	20,987
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	-	0	-701	-
Jun-10	-	-15,617	-6,924	-

Figures may not sum due to rounding

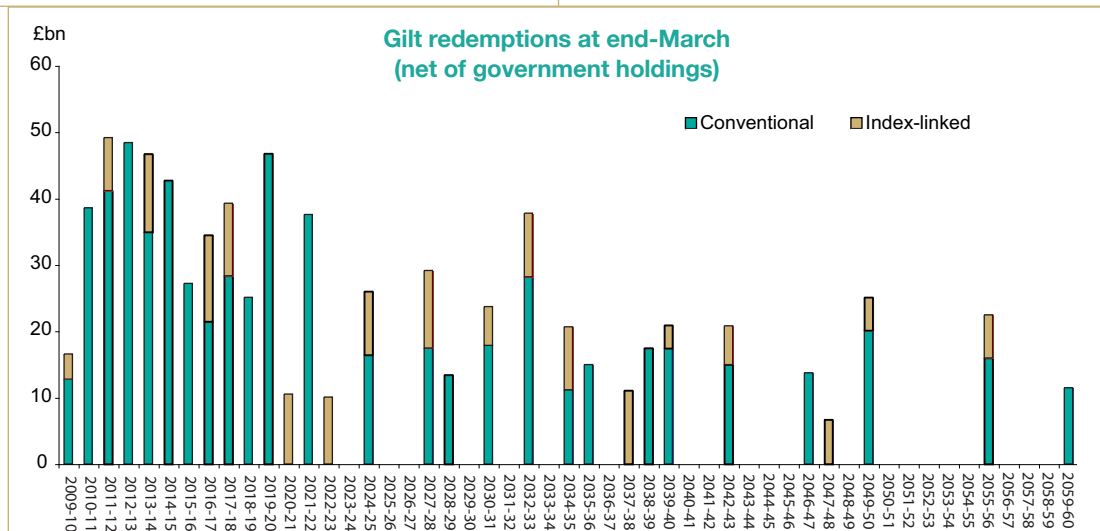
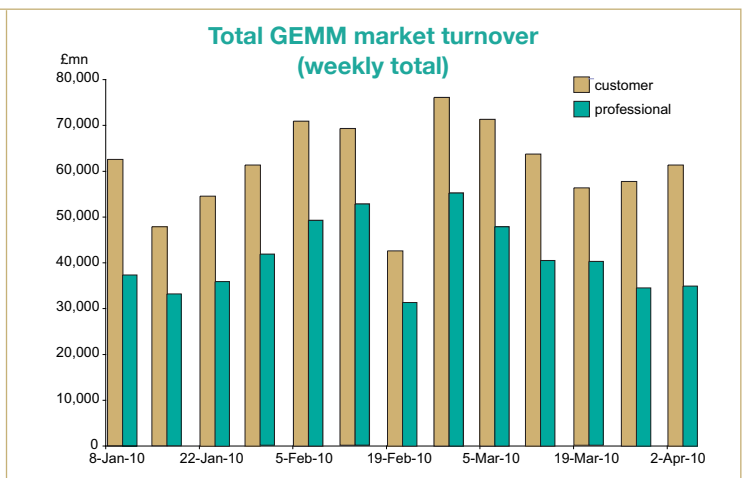
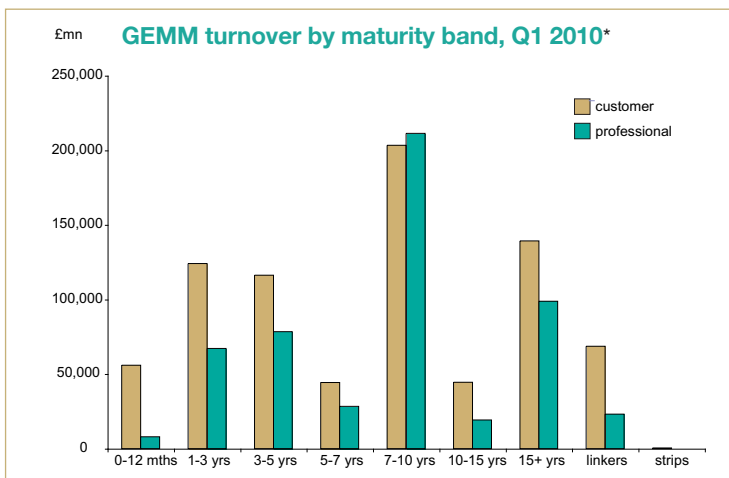
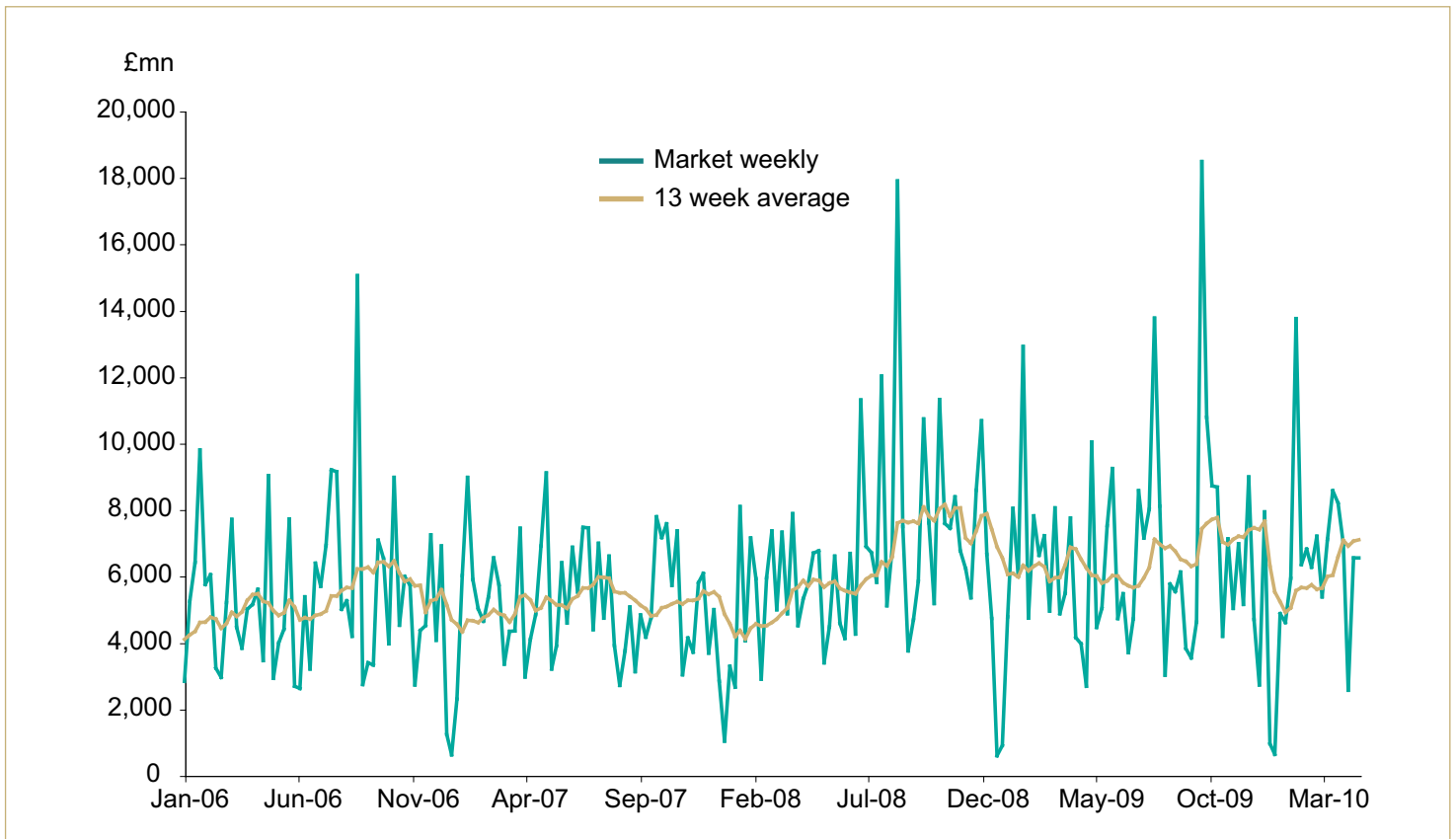
\*Coupon flow numbers are for the stock of debt outstanding at end-quarter

## 2009-10 and 2010-11 financing requirements

(£bn)	2009-10 (PBR 2009)	2009-10 (Outturn)	2010-11 (Budget 10)*
CGNCR forecast	200.9	198.8	166.4
Redemptions	16.6	16.6	38.6
Financing for the Bank's Asset Purchase Facility	-1.0	-0.9	0.0
Financing for the Official Reserves	4.0	4.0	4.0
Debt buy-backs	0.1	0.5	0.0
Planned short-term financing adjustment	-0.6	-0.6	-23.6
Gross financing requirement	220.0	218.4	182.6
Less			
National Savings & Investments' contribution	-1.5	1.6	0.0
Net financing requirement	218.5	216.5	182.6
Gilt sales planned during the year	227.6	227.6	185.2
Change in planned Treasury bill stock	18.7	19.4	-2.5
Change in Ways and Means	-3.8	-3.8	0.0
DMO net cash position at end of financial year	24.5	26.8	0.5

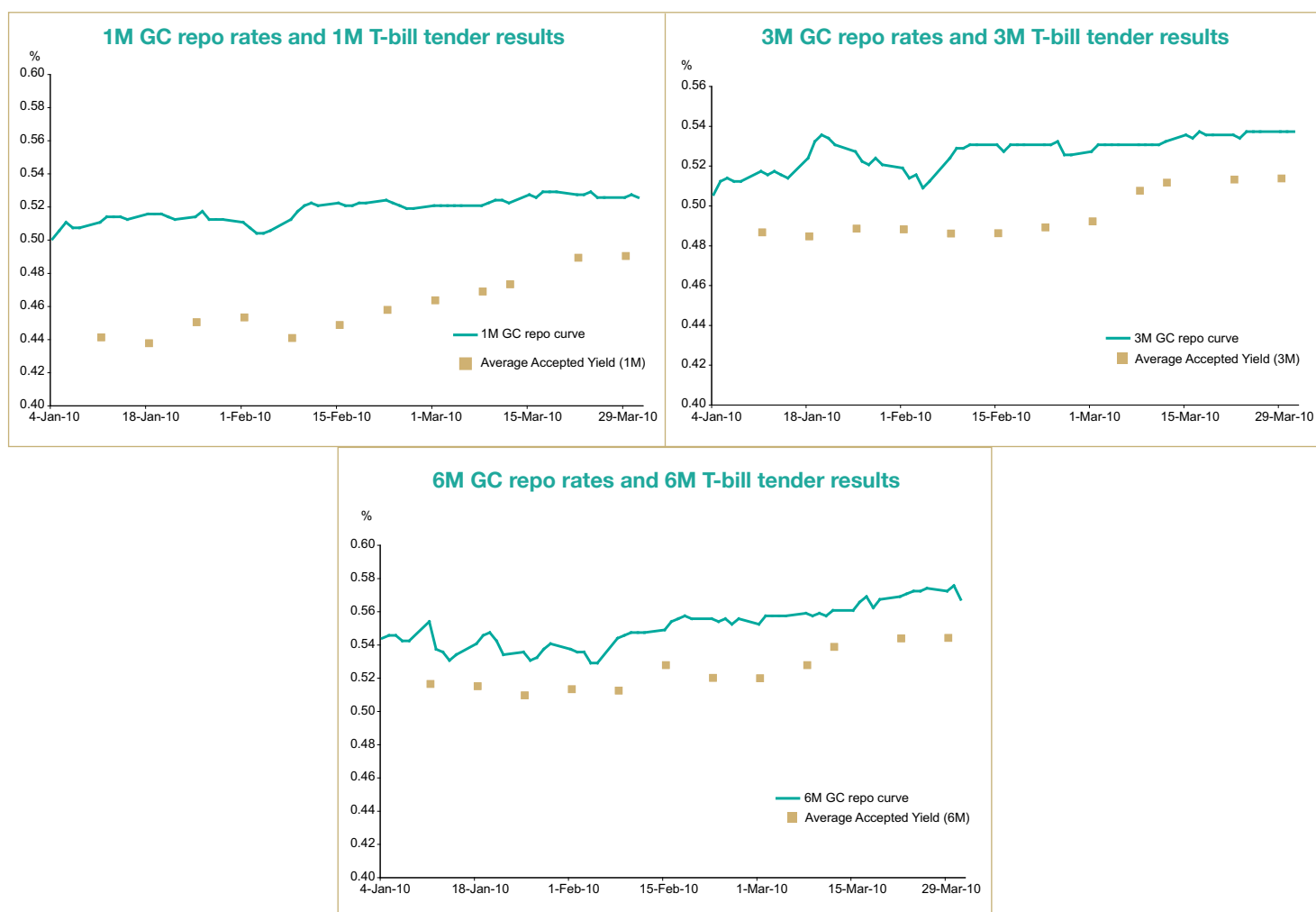
\*as updated on 22 April 2010

### Index-linked gilt market turnover 2006-2010



\*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

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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

#### 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)

### Credit Guarantee Scheme (CGS)

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

### Asset-backed Securities Guarantee Scheme

[http://www.dmo.gov.uk/index.aspx?page=CGS/ABS\\_about](http://www.dmo.gov.uk/index.aspx?page=CGS/ABS_about)

### 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

[www.dmo.gov.uk/documentview.aspx?docname=publications/moneymarkets/cmopnot110903.pdf&page=money\\_markets/publication](http://www.dmo.gov.uk/documentview.aspx?docname=publications/moneymarkets/cmopnot110903.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 2010-11

[http://www.dmo.gov.uk/documentview.aspx?docname=remit/drmr1011.pdf&page=Remit/full\\_details](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/Formulae>

## DMO FINANCING REMIT 2010-11

The DMO's financing remit for 2010-11 was published alongside the Budget 2010 announcement. The main points are summarised below. These have been updated to reflect the outturns of the CGNCR 2009-10, the bilateral Treasury bill programme and other minor adjustments published on 22 April 2010. The gilt sales programme shown below is £2.1 billion lower than the figure announced at Budget 2010. This reduction was taken off sales of medium-dated conventional gilts.

### Debt issuance by the DMO

The DMO plans to raise £182.6 billion in 2010-11 split as follows:

- Gilt sales: £185.2 billion
- Net Treasury bill sales: -£2.5 billion

### Planned gilt sales

The gilt sales target of 185.2 billion will be met through a combination of:

- £146.0 billion in 52 outright auctions;
- £29.2 billion by a supplementary programme of syndicated offerings;
- £10.0 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.

- £59.0 billion short-dated conventional gilts in 13 auctions;
- £42.9 billion medium-dated conventional gilts in 12 auctions;
- £26.7 billion long-dated conventional gilts in 12 auctions;
- £18.6 billion long dated conventional gilts in a combination of syndicated offerings and mini-tender;
- £17.4 billion index-linked gilts in 15 auctions
- £20.6 billion index-linked gilts in a combination of syndicated offerings and mini-tenders.

### The gilt auction programme

The DMO will publish planned average auction sizes (in cash terms) for each maturity/instrument type in its April-June 2010 issuance calendar announcement and it may publish updated planned average auction sizes in subsequent calendar announcements.

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

In order to facilitate the optimal sizing of syndicated offerings the DMO may, at the margin, add gilt auctions to the calendar as part of the quarterly issuance announcements, following consultation with market participants in the quarterly consultation meetings. In the event of an auction being added, existing auction dates may be adjusted in order to ensure regularity of issuance across each of the maturity areas/instrument types.

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, and would normally be announced alongside an announcement about the likely timing of a syndicated offering with a minimum of one week's notice of the rescheduled operation.

## Mini-tenders

The DMO envisages holding at least one mini-tender per month, with the weeks of the operations being announced in the DMO's quarterly issuance announcements. 12 mini-tenders are currently planned, aiming to raise a total of approximately £10 billion. Mini-tenders will generally be around half the size (in cash terms) of auction of comparable gilts.

The DMO may add mini-tenders to the operations calendar 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 the amount allocated to them at the auction. The option to buy (at the average accepted price for conventional gilt and at the strike price for 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 remit sales targets, but will be separately identified from amounts raised at auctions themselves, and sums raised by PAOF will not be included in the calculation of required average auction sizes in the period before any re-statement of the financing requirement (e.g. Pre-Budget Report (PBR) 2010).

At any re-statement of the financing requirement (e.g. at PBR) the proceeds from PAOF to that date will be factored into the financing arithmetic, and all other factors constant, the proceeds may be used to reduce auction sizes (or to reduce the number of required operations). Any use of PAOF in this way would be communicated as part of a DMO announcement of any remit revision at PBR.

At PBR, an assumption will be made that proceeds from PAOF will continue to accrue for the remainder of the auction programme in the same proportion per type and maturity of operation as before PBR and these amounts will be factored into the required average auction sizes to the end of the financial year. In the event that the degree to which PAOF is taken up after the PBR is different from that assumption, 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 2010 was £63.3 billion. The stock is scheduled to fall by £2.5 billion in 2010-11, reducing the planned stock at end-March 2011 to £60.8 billion. £1.3 billion of the planned reduction represents the run-down of the stock of bilateral bills in issue at end-March 2010.

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 2010-11 will be reported in April 2011, along with any wider implications for the DMO financing remit in 2010-11 arising from the publication of the outturn for the 2010-11 Central Government Net Cash Requirement (CGNCR).



## Illustrative financing projections

The table below shows annual illustrative gross financing projections from 2011-12 to 2014-15 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.

### Illustrative gross financing projections (£bn)

	2011-12	2012-13	2013-14	2014-15
CGNCR projections	138	111	94	74
Gilt redemptions	49	48	47	43
<b>Financing requirement</b>	<b>187</b>	<b>159</b>	<b>141</b>	<b>117</b>
CGNCR change since PBR 2009	-8	-7	-7	-7
Redemption change since PBR 2009	0	4	0	9