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## PRESS NOTICE

### SYNDICATED RE-OPENING OF £3.5 BILLION NOMINAL OF 0 $\frac{1}{8}$ % INDEX-LINKED TREASURY GILT 2046: RESULT

The United Kingdom Debt Management Office (DMO) announces that the syndicated re-opening of £3.5 billion (nominal) of 0 $\frac{1}{8}$ % Index-linked Treasury Gilt 2046 has been priced at £131.617 per £100 nominal, equating to a gross real redemption yield of -0.810%. The transaction will settle, and the fourth tranche of this gilt will be issued, on 25 May 2016, at which date the gilt will have £11.0 billion (nominal) in issue. Proceeds from today's transaction are expected to be approximately £4.7 billion (cash<sup>1</sup>).

The offering was priced at a yield spread of 1.0 basis point (bp)<sup>2</sup> above the yield on 0 $\frac{1}{8}$ % Index-linked Treasury Gilt 2044, which represented the tight end of the published price guidance. The UK domestic market provided the predominant support for the issue, taking around 92% of the allocation.

This was the second transaction of the DMO's 2016-17 syndication programme, which was planned to raise a minimum of £25.5 billion (£16.0 billion of index-linked gilts in four transactions and £9.5 billion of long conventional gilts in two transactions).

Commenting on the result, Robert Stheeman, the Chief Executive of the DMO, said:

*Today's re-opening of our index-linked syndication programme for 2016-17 has been another impressive transaction, which I think reflects well on the gilt market and its participants. We have successfully built up the nominal size of the 30-year index-linked gilt to £11 billion.*

*Once again our core domestic investor base responded strongly to the sale. The book-building process was smooth and fast and resulted in the largest order book we have seen to-date on an index-linked syndication. There is significant ongoing interest in acquiring long-dated index-linked gilts to hedge liabilities.*

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<sup>1</sup> Figures in this Press Notice are in cash terms unless indicated otherwise.

<sup>2</sup> 0.01%. = 1bp.

*Indeed, such was the quality of demand we received today, we responded to this by drawing down £500 million (cash) from the unallocated portion of supplementary issuance to issue a nominal size of £3.50 billion on this transaction.*

*I would like to record my appreciation for the continued support that our gilt sales programme enjoys from our market stakeholders.*

### **The syndication programme and the unallocated supplementary amount**

Given the strength and quality of demand at this transaction, the DMO has decided to allocate £0.5 billion of the unallocated supplementary issuance amount to the index-linked gilt syndication programme in 2016-17 (increasing the size of that programme to £16.5 billion and the minimum size of the overall syndication programme to £26.0 billion). The size of the remaining unallocated supplementary amount has accordingly been reduced to £7.5 billion.

### **NOTES TO EDITORS**

The syndicated offer was managed by four Joint Bookrunners: BofA Merrill Lynch, Morgan Stanley, Nomura and UBS Investment Bank. All other panel member Index-linked Gilt-edged Market Makers were Co-Lead Managers. The composition of the syndicate was announced by the DMO on 13 May 2016.

The order book managed by the Joint Bookrunners was opened at 9.00am on 24 May 2016 with indicative price guidance for investors at a spread of 1.00bp to 1.25bps above the yield on 0½% Index-linked Treasury Gilt 2044. At 9.30am the Joint Bookrunners announced that the value of orders in the book was in excess of £10 billion, and that the book was expected to close at 10.00am. At 9.45am the Joint Bookrunners announced that orders were in excess of £14.5 billion, that price guidance was being fixed at 1.00bp over the reference gilt and that the book would close at 10.00am.

The book closed with 83 orders totaling £15.3 billion. At 10.40am the Joint Bookrunners announced that the size of the transaction had been set at £3.5 billion (nominal). The price was set at 12.55pm.

Proceeds from the transaction are expected to be approximately £4.7 billion and will take index-linked gilt sales for the financial year to-date to £7.4 billion. Total gilt sales for the financial year are now £29.2 billion, relative to the remit target of £131.5 billion.

0½% Index-linked Treasury Gilt 2046 was initially launched by syndication on 23 June 2015 and re-opened by syndication on 1 December 2015; the gilt was also sold via auction on 12 January 2016.

This press notice will be appearing on the DMO's website at: [www.dmo.gov.uk](http://www.dmo.gov.uk)