

RECORD OF THE DMO CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE JULY-SEPTEMBER 2018 GILT MARKET OPERATIONS CALENDAR

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 21 May 2018. The meetings were primarily intended to inform the choice of gilts to be sold via auction and syndication in the second quarter of 2018-19.

Nine gilt auctions are scheduled in July-September 2018: seven of conventional gilts and two of index-linked gilts. In addition to views on choices of gilts for sale via auction, feedback was also sought on the choice of maturity for an index-linked gilt to be sold via syndication in Q2, as well as the timing of that transaction. Views were also sought on demand for any gilt tenders in the period ahead. In discussion, the following main points emerged.

GEMMs

Syndication

Views were broadly split between those who favoured the launch of a new index-linked gilt in the 25-year area – with the 2041 or 2043 most often mentioned as the preferred maturity – and a re-opening of IL 2048. There were isolated calls for a new index-linked gilt in the 15- to 25-year area and a new 30-year maturity.

There was a consensus in favour of early to mid-July for the timing of the transaction.

Conventional auctions (seven)

Short (two)

Virtually all attendees recommended the launch and subsequent re-opening of a new 5- to 6-year gilt in Q2, with views on the maturity date broadly split between April and July 2024. There was one call for a new gilt to mature in February or March 2024, together with one recommendation for a final auction of 0¾% 2023.

Medium (three)

There was almost unanimous support for three re-openings of the new 1⅝% 2028, with isolated calls for an auction of 2% 2025 and 1¼% 2027.

Long (two)

Almost all GEMMs advocated the launch by auction of a new 30-year gilt, with a number recommending that such a gilt also be re-opened during the quarter. October 2048 was the most often suggested maturity date for a new 30-year gilt, with April 2049 the next most frequently mentioned. There were also recommendations for a re-opening of 1¾% 2057 alongside the launch of a new 30-

year gilt, with one or two calls for a re-opening of 1¾% 2037, 1½% 2047 and 1⅝% 2071.

Index-linked auctions (two)

The new IL 2028, to be launched on 20 June 2018, was the strongest preference for one of the auction dates, with IL 2036 and IL 2048 (subject to choice of syndication bond) the next most widely recommended maturities for the other auction date.

Investors

Syndication

Where a view was expressed, recommendations were broadly split between the launch of a new index-linked gilt maturing in the 20- to 25-year area and a re-opening of IL 2048, although there was an isolated call for the re-opening of an ultra-long maturity gilt (IL 2065 or IL 2068).

Conventional auctions (seven)

Short (two)

Views were generally supportive of the launch and re-opening of a new 5- to 6-year gilt, with April or July 2024 both suggested as preferred maturity dates.

Medium (three)

A number of attendees recommended three re-openings of 1⅝% 2028, although there were also a few suggestions for issuance of slightly shorter-dated maturities during the quarter, with 2% 2025 and 1¼% 2027 suggested for re-opening. By contrast, one recommendation was made for the launch of a new 2033 maturity. Two attendees also suggested that one of the medium auctions be replaced with an additional long conventional auction.

Long (two)

Where views were expressed, a range of maturities was suggested, but these were focused generally around the 30-year area. There were also some calls for auctions of 1¾% 2057, 2½% 2065 or 1⅝% 2071, particularly from those suggesting that an additional long auction might replace one of the medium auctions.

Index-linked auctions (two)

A number of different maturities were recommended for auction, with the new IL 2028, to be launched on 20 June 2018, and IL 2048 most often mentioned. Other candidate maturities suggested were IL 2036, IL 2056 or an ultra-long (IL 2065 or IL 2068).

Timetable

The gilt operations calendar for July-September 2018 will be announced by the DMO at 7.30am on Thursday 31 May 2018.

The next quarterly consultation meetings to discuss gilt issuance in October-December 2018 are scheduled to be held at the DMO's offices on Monday 20 August 2018.