Minutes of meeting with gilt investors in Scotland on 2 February 2018

Officials from the UK Debt Management Office (DMO) met representatives of Scottish based gilt investors in Edinburgh on 2 February 2018. The meeting complemented those held at HM Treasury, in London, on 29 January 2018, and was held primarily to allow investors based in Scotland to present their views on the structure of the DMO's financing remit for 2018-19.

At Autumn Budget 2017 the gross financing requirement for 2018-19 was forecast to be £118.7 billion. The DMO's financing remit for 2018-19 will be published alongside Spring Statement 2018 on 13 March 2018.

The main points relating to the remit for 2018-19 discussed at the meeting are summarised below.

The view was expressed that the remit in 2017-18 had been delivered smoothly and that the gilt market was functioning relatively well. No major changes were foreseen for the 2018-19 remit.

There was some discussion about the relative merits of syndications and auctions, with a mixture of views expressed. Overall, the syndication programme was seen as having gone well in 2017-18 with these transactions viewed as significant and important market events for real money investors. It was suggested that the number of syndications should not be reduced: potentially they could be smaller and more frequent. Others, however, pointed to the importance of auctions, including in helping manage index events. In general, it was observed that syndications and auctions had different benefits.

It was also suggested that the size of auctions could be increased in 2018-19.

It was acknowledged that the focus of index-linked demand had currently moved away from the 50-year area towards the 30-year area, but that for conventional gilts demand remained strong in the 50-year area. The reference at the London consultation meetings possibly to extending the nominal yield curve to the 2070-74 area was noted. A similar extension to the real yield curve was not currently foreseen.

The growth in interest in CPI bonds was noted but, where a view was expressed, any potential decision on the introduction of a new form of indexation was not expected to begin at least until after the resolution of the status and wider usage of the CPI(H) measure of inflation.

There were some references to the lack of availability of Treasury bills, particularly around year-end, with the suggestion that supply could be increased to address this.