

RECORD OF THE DMO CONSULTATIONS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE JULY TO SEPTEMBER 2024 GILT OPERATIONS CALENDAR

The DMO held consultations with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on Monday 20 May 2024 in hybrid form, with some participants attending at the DMO's offices and others joining via conference/video call.

The consultations were primarily intended to inform the choice of gilts to be sold via auction and syndication in the second quarter of financial year 2024-25.

The DMO set out a schedule of 19 gilt auction dates (15 for conventional gilts and four for index-linked gilts) in the July to September 2024 period, together with a proposed maturity split for conventional gilt auctions. The DMO also plans to schedule two syndications in the coming quarter: one for an index-linked gilt in the first half of July 2024, and one for a long conventional gilt in September 2024, in both cases subject to demand and market conditions.

In discussion, the following main points emerged.

GEMMs

July: Index-linked gilt syndication

Virtually unanimous support was expressed for a re-opening of IL 2054 next quarter.

September: Long conventional gilt syndication

GEMMs' recommendations were generally divided between those suggesting a new gilt maturing in the 25-year area, with a maturity year of 2048 or 2050 most often mentioned, and those suggesting a re-opening of 4¾% 2054 or 4% 2063. There were isolated calls for a new gilt in the 15-year area. GEMMs generally noted that it was too early to be specific about the maturity of the bond to be syndicated at this stage.

Conventional auctions (15)

Short (five)

All GEMMs recommended two re-openings of 3¾% 2027 and 4½% 2029 for the short auction programme in Q2 2024-25, with no other gilts suggested. Views were divided about which of these 2027 and 2029 maturities should be auctioned three times.

Medium (six)

Re-openings of the new 10-year area maturity gilt (planned to be launched via syndication in June 2024) were unanimously recommended, with many GEMMs recommending three auctions of the new bond. A range of other maturities were suggested for re-opening with 4% 2031, 0⅞% Green Gilt 2033 and 3¾% 2038 the most often mentioned.

Long (four)

Strong support was expressed for two re-openings each of 4¾% 2043 and 4⅜% 2054, with 4% 2063 being the only other gilt recommended by some attendees.

Index-linked auctions (four)

A wide range of maturities were recommended for auction, with IL 2033, IL 2039 and IL 2045 being the most often mentioned candidates. There were a few calls for an auction of IL 2031 and IL 2054 and some suggestions for other maturities, including the launch of new index-linked gilts maturing in 2030 or 2035.

Any other business

At the conclusion of the meeting Sir Robert Stheeman expressed his thanks to Euan Harkness, ahead of the latter's imminent retirement, for his considerable contribution to the gilt market, especially in his leading capacity since 1992.

Gilt investors

July: Index-linked gilt syndication

A range of opinions were expressed, although a re-opening of IL 2054 in July was suggested by most of those investors who expressed a view; there were also some calls for a new 2035 maturity.

September: Long conventional gilt syndication

Issuance in the 25-year area was generally recommended by those expressing an opinion, with 2048 the most frequently mentioned maturity year. There were also isolated suggestions for a re-opening of 4¾% 2054 or potentially launching a new gilt maturing in 2040. However, a number of investors recommended that the DMO should retain optionality on the maturity until closer to the time of the transaction. In addition, some investors mentioned possibly rescheduling a planned long conventional gilt auction in September to accommodate the syndication.

Conventional auctions (15)

Short (five)

At least two re-openings of both 3¾% 2027 and 4½% 2029 were widely advocated by attendees.

Medium (six)

At least two re-openings of the new 10-year gilt (planned to be launched via syndication in June) were recommended, as were re-openings of 4% 2031. Support for further issuance of 0⅞% Green Gilt 2033 and 3¾% 2038 was also expressed; however, one attendee recommended the launch of a new green gilt rather than further supply of the 2033 Green Gilt.

Long (four)

Further auctions of 4¾% 2043 and 4⅜% 2054 were widely recommended by those expressing a preference with some also suggesting an auction of 4% 2063.

Index-linked auctions (four)

A preference for shorter-dated issuance was expressed by those making recommendations on index-linked gilt supply. Suggestions for re-openings included IL 2031, IL 2033 (including some calls for two auctions of this bond), IL 2039 and IL 2045. There were also some suggestions for the launch of a new 2035 maturity.

Gilt tenders

Some attendees noted the future potential for incremental supply of ultra-long gilts by tender.

Timetable

The DMO will announce the details of the gilt operations calendar for July to September 2024 at 7.30am on Friday 31 May 2024.

The next consultations to discuss gilt issuance in the period October to December 2024 are currently scheduled for 3.30pm (gilt investors) and 5.00pm (GEMMs) on Monday 19 August 2024.