

RECORD OF THE CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE APRIL-JUNE 2010 GILT MARKET OPERATIONS CALENDAR¹

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 29 March 2010. The meetings were primarily intended to inform the choice of gilts to be issued by auction and syndication in April-June 2010.

14 gilt auctions are scheduled in April-June 2010: 10 of conventional gilts and four of index-linked gilts. The DMO envisages that the conventional auctions in the first quarter of 2010-11 will be split by maturity as follows: four short-dated, and three each of medium- and long-dated gilts. Up to two syndicated offerings are also planned. In discussion, the following main points emerged:

GEMMs

Syndication: GEMMs were generally supportive of the proposition that an index-linked syndication be held in May and a conventional syndication held in June. Most suggested a reopening of either 0 $\frac{5}{8}$ % 2040 or 0 $\frac{1}{2}$ % 2050 for an index-linked sale in May but there were one or two calls for a new 2030 or 2060 maturity index-linked gilt. Views were mixed about the need to be specific at this stage about the maturity of the June offer, given the amount of time until issuance would take place although, at this stage, a further reopening of 4% 2060 and a launch of a new 2040 were cited most often.

Conventional auctions: There were numerous calls from the GEMMs for issuance in the 3-year area, including the launch of a new 2013 maturity. Elsewhere in the short sector there were some calls for a new 2016 maturity. 2 $\frac{3}{4}$ % 2015 was widely supported as a candidate for re-opening, with other bonds mentioned including 3 $\frac{1}{4}$ % 2011, 5% 2014, 4 $\frac{3}{4}$ % 2015, and 4% 2016. There was general support for the launch of a new 10-year maturity gilt, with some GEMMs recommending it should be issued twice in the coming quarter, though some suggested the launch of a new 10-year could be deferred until 4 $\frac{3}{4}$ % 2020 had been built up further. A range of other medium maturity gilts were also suggested as candidates for re-opening with 4% 2022 most often mentioned. In the long sector, re-openings of 4 $\frac{1}{2}$ % 2034 and 4 $\frac{1}{4}$ % 2039 were widely supported, with a number of GEMMs recommending that either of these gilts be auctioned twice. 4 $\frac{1}{4}$ % 2027, 4 $\frac{1}{4}$ % 2046 and 4% 2060 were next most frequently mentioned.

Index-linked auctions: A very wide range of gilts were suggested for re-opening, with 1 $\frac{1}{4}$ % 2017, 1 $\frac{7}{8}$ % 2022, 1 $\frac{1}{4}$ % 2027, 1 $\frac{1}{4}$ % 2032, 0 $\frac{5}{8}$ % 2040, 0 $\frac{5}{8}$ % 2042 and 0 $\frac{1}{2}$ % 2050 most frequently mentioned. There were also a few calls for a new 2020 maturity to be launched by auction.

¹ The DMO announced on 26 March 2010 that the first auction of the new remit, on 7 April 2010, would be of 4 $\frac{3}{4}$ % Treasury Stock 2015. The size and other terms of that auction will be announced at 3.30pm today (30 March 2010).

Investors

Syndication: There was general support for one index-linked and one long-dated conventional syndication to be held in May and June, although views on sequencing were mixed. Some investors expressed a preference for the use of syndications to launch new gilts, rather than to re-open existing gilts. For index-linked issuance a new bond in the 20-year area was most often mentioned, although the case for new longer-dated benchmarks and/or a new 10-year also drew some support. For conventional issuance a re-opening of 4% 2060 was most often mentioned.

Conventional auctions: General support was expressed for the proposals outlined in the agenda, although within the short-dated sector there were some calls for a new 2013 and/or a new 2017 gilt, alongside regular 5-year issuance. Most investors felt comfortable with the prospect of a new 10-year gilt being launched in Q1, perhaps after a further auction of 4¾% 2020, although views were mixed over the preferred maturity for a new bond (September 2020 and January 2021 were mentioned). Within the long sector, further re-openings of the 2034 and 2039 maturities were widely supported.

Index-linked auctions: A range of views were expressed, with attendees generally recommending issuance at a number of points along the curve at 10 years and beyond, with a number of attendees pointing to the current strength of demand in the 20- to 30-year part of the curve.

The calendar of gilt issuance in April-June 2010 will be announced by the DMO at 3.30pm on Wednesday 31 March 2010.

The next consultation meetings to discuss gilt issuance in July-September 2010 will be held at the DMO's offices on Monday 24 May 2010.