

RECORD OF QUARTERLY MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE Q4 2007-08 GILT AUCTION CALENDAR ANNOUNCEMENT

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 26 November 2007. The meetings were primarily intended to inform the choice of gilts to be issued in the scheduled auctions in January-March 2008.

Nine gilt auctions are scheduled in the final quarter of FY 2007-08: five of conventional gilts and four of index-linked gilts. The conventional auctions are scheduled to be held on 8 January, 5 and 14 February and 4 and 13 March. The index-linked auctions are scheduled to be held on 17 and 29 January, 27 February and 27 March. The auction calendar for the final quarter will be announced at 3:30pm on Friday 30 November 2007. The following main points emerged in discussion:

GEMMs

Conventional: Almost all GEMMs supported the case for the launch of a new short-dated gilt maturing in 2013, although views were mixed on the preferred redemption month (March, September or December were all mentioned). The remainder called for a further reopening of 5¼% Treasury Gilt 2012 instead. 5% Treasury Gilt 2018 was seen as the obvious candidate for the medium-maturity auction. Aside from one call for a new 15-year maturity gilt, there was no real appetite for the issue of a new long-dated bond, instead most GEMMs recommended two auctions of 4¾% Treasury Gilt 2030 and one of 4½% Treasury Gilt 2042 in the coming quarter.

Index-linked: A wide variety of maturities were mentioned as candidates here. All supported at least one re-opening of the 0¾% Index-Linked Treasury Gilt 2047, with a number of GEMMs suggesting two auctions of this bond in the quarter. Significant support was also expressed for re-openings of the 2017, 2022, 2027 and 2037 maturities (although some attendees also advised against a re-opening of 1⅞% Index-linked Treasury Gilt 2022 in Q4). In addition, there were isolated calls for the launch of a new 2032 maturity Index-linked gilt and a re-opening of the existing 2030 and 2035 maturities.

Investors

Conventional: A small majority of investors recommended the launch a new short-dated conventional gilt (maturing in March 2013) in Q4, with the remainder suggesting a further auction of 5¼% Treasury Gilt 2012. Within the group calling for a new 2013 maturity, views were mixed as to whether the bond should be auctioned in February or March 2008. 5% Treasury Gilt 2018 was again seen as the obvious choice for the medium-maturity auction. 4¾% Treasury Gilt 2030 was the favoured candidate for the 8 January auction and most recommended a re-opening of 4½% Treasury Gilt 2042 on 14 February. Most investors also recommended two auctions of 4¾% Treasury Gilt 2030 in the quarter, but others advocated the launch of a new long-dated gilt in Q4, with maturities of 2034, 2040 and 2044 mentioned as possibilities.

Index-linked: Most investors recommended that 0¾% Index-linked Treasury Gilt 2047 be auctioned twice in the quarter, beginning on 17 January. Views were mixed on the other maturities to be issued, with the 2027 and 2037 maturities mentioned most frequently. A few attendees, however, suggested that 1⅞% Index-linked Treasury Gilt 2022 need not be re-opened in Q4. There were also some calls for a new index-linked gilt to be issued towards the end of the quarter – with maturities of 2032 or 2042/3 mentioned in this context.

The annual consultation meeting chaired by the Economic Secretary will be held at HM Treasury on 11 December.

The next quarterly consultation meetings will provisionally be held at the DMO on Tuesday 25 March 2008¹.

¹ Subject to confirmation following the Chancellor's decision on the Budgetary timetable.