

## **RECORD OF QUARTERLY MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE JANUARY-MARCH 2006 GILT ISSUANCE ANNOUNCEMENT**

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 12 December 2005. The meetings were primarily intended to inform the choice of gilts to be issued in the next quarter.

Seven gilt auctions are scheduled in January-March 2006: four conventional gilt auctions (one each of short and long gilts and two medium gilts) on 10 and 26 January, 16 February and 1 March and three index-linked gilt auctions on 24 January, 7 February and 7 March. **The gilt issuance calendar for January-March 2006 will be announced by the DMO at 3.30pm on Friday 16 December 2005.** In discussion, the following main points emerged:

**All GEMMs:** There was unanimity about the choice of 4¼% 2011 as the short gilt candidate with views divided between January and February for the auction date. On medium gilts, views were also divided between two re-openings of 4¾% 2020, or a combination of the 2020 maturity and the launch of a new 10-year gilt (2016 maturity). There were isolated calls for two auctions of a new 2016. Views were also divided on the scheduling and identity of the long-dated gilt; a number favoured a re-opening of the 4¼% 2055, but other maturities mentioned included new 40- or 45-year bonds, and re-openings of the existing 2025 and 2038 gilts. There were also some calls for one or more switch auctions out of 8% 2021 ahead of it falling out of the FTSE over 15-year index on 7 June. The DMO indicated that it had no plans to hold a switch auction in this current financial year, but was prepared to listen to representations regarding the conduct of such operations in 2006-07.

**IL GEMMs:** The general view was that issuance should be biased toward the long end. Almost all IL GEMMs recommended a reopening of the 2055 maturity on 24 January, but views on the maturity of a second long were divided between those advocating a new issue with various maturities from 2027 to 2050 mentioned or a re-opening of the existing 2030 or 2035 index-linked gilts. Most IL GEMMs also recommended issuing a shorter maturity gilt; the 2020 being the most often mentioned candidate, but there were also calls for a reopening of the 2016 or 2024 gilts or the launch of a new 2018 maturity.

### **End investors**

Conventional: Again there was unanimity about the choice of 4¼% 2011 for the short gilt auction. Views were also divided between combinations of reopening the 4¾% 2020 gilt and the launch of a new 2016 maturity. For the long gilt auction, most favoured a reopening of the 2055 maturity, but there were also calls for a new 40-year conventional. Here too, there were suggestions that the DMO should consider offering one or more switch auctions out of 8% 2021, ahead of it falling out of the over 15-year index on 7 June. The DMO indicated that it had no plans to hold a switch auction this financial year, but did not categorically rule out such an operation in 2006-07.

Index-linked: The bias of recommendations was strongly toward issuance at the long end, with most attendees suggesting that at least two of the three auctions be for gilts dated 2030 or longer. There were some calls for 2 auctions of 1¼% IL 2055, but more sought re-openings of the 2030 and/or the 2035 maturities alongside the 50-year. There were also some calls for the launch of a new 40-year index-linked gilt. Regarding shorter maturities,

there were isolated calls for a reopening of the 2016s or 2024s and for the launch of a new 2027 maturity.

**The next quarterly consultation meetings will be held on Monday 20 March 2006 4.00pm (Investors) and 5.00pm (GEMMs and IL GEMMs).**