

RECORD OF THE CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE JULY-SEPTEMBER 2010 GILT MARKET OPERATIONS CALENDAR

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 24 May 2010. The meetings were primarily intended to inform the choice of gilts to be issued by auction and syndication in July-September 2010. Candidate conventional gilts for the June syndication were also discussed.

Thirteen gilt auctions are scheduled in July-September 2010: nine of conventional gilts and four of index-linked gilts. The DMO envisages that there will be three conventional auctions per sector (short, medium and long-dated) in the second quarter of 2010-11. Up to two further syndicated offerings are also planned. In discussion, the following main points emerged:

GEMMs

Syndications: There were numerous calls for a new 30-year conventional gilt to be launched in June via syndication, although some GEMMs supported a further re-opening of 4% 2060 or a new bond in the 2049-2055 range. The possibility of scheduling a syndicated offering in August instead of July was raised by some participants. For that syndication, suggestions focused primarily on a re-opening of the 0½% IL 2040 or the launch of a new 10-year or a 20-25-year index-linked gilt (although some suggested that a new 10-year equally could be launched by auction). For a second syndication in Q2, there were a wide range of potential candidates put forward, although GEMMs cautioned against making detailed decisions or announcements so far in advance.

Conventional auctions: There were widespread calls for the re-opening of 2¾% 2015, with some suggesting that this gilt could be re-opened twice in Q2. Re-openings of the 5% 2014, other gilts in the 2-5 year band and/or 4% 2016 gilts were also proposed, and some GEMMs stated that Q2 might be an opportune time to launch a new 2016 gilt. For mediums, all GEMMs suggested that the new September 2020 be auctioned twice within the quarter, with the 4% 2022 gilt most frequently recommended for the third medium auction. In the long sector, all GEMMs suggested at least one re-opening of 4½% 2034, with some suggesting this could be re-opened twice; views were mixed on other candidates for long auctions.

Index-linked auctions: A wide range of gilts were suggested for re-openings, with 1¼% IL 2032, 1½% IL 2037, 0½% IL 2040, 0½% IL 2042, and 0¾% IL 2047 most frequently mentioned. There were also a few calls for a new 10-year index-linked gilt to be launched by auction or syndication, and then re-opened later in the quarter.

Investors

Syndications: The most frequent recommendation for the long-dated conventional gilt for the June syndication was a re-opening of the 4% 2060 gilt. For syndications to be held in Q2, there was a mix of views as to whether the DMO should hold one or two index-linked gilt offerings. Some investors highlighted that there would be demand for a new index-linked gilt in the 2030 to 2035 area.

Conventional auctions: General support was expressed for the proposals outlined in the agenda, and investors encouraged the DMO to continue to build up new benchmarks along the curve. For shorts, there was support to re-open 2¾% 2015 and 4% 2016 in the quarter. For medium-dated gilts, in addition to support for re-opening the new 2020 gilt at least once in the quarter, there were calls for re-openings of 5% 2018 and/or 4% 2022. There were also a few calls for the launch of a new 7-year benchmark in Q2. Within the long sector, further re-openings of 4½% 2034 gilt were widely favoured, whilst other candidates suggested included the 4¼% 2032 and 4¼% 2039 gilts.

Index-linked auctions: Attendees generally supported issuance at the long-end of the index-linked curve, including at least one re-opening of 0⅝% IL 2040. There were also some calls for the launch of a shorter-dated index-linked gilt, either in the 5- or 10-year area.

The calendar of gilt issuance in July-September 2010 will be announced by the DMO at 3.30pm on Friday 28 May 2010.

The next consultation meetings to discuss gilt issuance in October-December 2010 will be held at the DMO's offices on Monday 23 August 2010.