

RECORD OF THE DMO CONSULTATIONS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE JULY TO SEPTEMBER 2023 GILT OPERATIONS CALENDAR

The DMO held consultations with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on Monday 22 May 2023 in hybrid form, with some participants attending at the DMO's offices and others joining via conference 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 2023-24.

The DMO set out a schedule of 16 gilt auction dates in the July to September 2023 period. The DMO is planning to schedule 13 auctions of conventional gilts and three auctions of index-linked gilts in the second quarter of 2023-24. The DMO also expects to hold syndicated offerings in July and September 2023, one for the sale of an index-linked gilt and one for the sale of a long conventional gilt respectively.

In discussion, the following main points emerged.

GEMMs

Index-linked syndication

A range of maturities were suggested, with a re-opening of IL 2045 the most often mentioned, along with some calls for the launch of a new 30-year index-linked gilt, or a re-opening of IL 2051. There were only isolated calls for other maturities.

Long conventional syndication

The most widely supported candidates for issuance at the syndication planned for September 2023 were the launch of a new gilt maturing in 2043 or a re-opening of either 4% Treasury Gilt 2063 or 1½% Treasury Gilt 2073. However, many GEMMs observed that it might be too early to commit to a specific maturity at this stage, given the potential for developments in demand and/or market conditions in the months ahead.

Conventional auctions (13)

Short (four)

Strong support was expressed for at least one re-opening of 3½% Treasury Gilt 2025, with a few calls for it to be auctioned twice. Two auctions of the new conventional gilt maturing on 7 June 2028, which is planned for launch via auction on 20 June 2023, were widely recommended, along with one further auction of 0½% Treasury Gilt 2029.

Medium (five)

There was unanimous support for the scheduling of at least two auctions of 3¼% Treasury Gilt 2033 and good support for three re-openings of the gilt. Re-openings of 0⅞% Green Gilt 2033 and 3¾% Treasury Gilt 2038 were also widely advocated, with an isolated call for a re-opening of 1% 2032.

Long (four)

A range of maturities were recommended for issuance via auction in Q2 2023-24, with 3¾% Treasury Gilt 2053 and 1½% Green Gilt 2053 most often mentioned. Support was also

expressed for a re-opening of 1½% Treasury Gilt 2039 and/or 0⅞% Treasury Gilt 2046, with a few calls for auctions of 4% Treasury Gilt 2063 and 1½% Treasury Gilt 2073.

Index-linked auctions (three)

There was unanimous support for one re-opening of the new index-linked gilt maturing on 22 November 2033, to be launched via auction on 27 June 2023, with a few attendees advocating a second re-opening in the quarter. Other candidates widely recommended for auction included IL 2039, IL 2045 (if not the choice for syndication in the quarter), IL 2051 and IL 2073, together with an isolated call for an auction of a new index-linked gilt maturing in 2054.

Gilt investors

Index-linked gilt syndication

Where participants expressed a preference about the maturity of the index-linked gilt to be syndicated in Q2 2023-24, a re-opening of IL 2045 in July 2023 was supported by some attendees. However, some participants did suggest that the transaction might benefit from being postponed until September or later in the financial year. There were only isolated calls for issuance of other index-linked gilts by syndication in the quarter: either IL 2051 or the launch of a new 30-year maturity index-linked gilt.

Long conventional syndication

Where a specific maturity was mentioned, a re-opening of 4% Treasury Gilt 2063 was most widely recommended, although some attendees suggested that it might be appropriate to leave the decision on the maturity of the gilt to be syndicated until nearer the time of the transaction, allowing market developments in the meantime to be taken into account in the decision.

Conventional auctions (13)

Short (four)

Those investors who expressed a preference generally favoured re-openings of the new conventional gilt maturing on 7 June 2028, which is to be launched via auction on 20 June 2023, 3½% Treasury Gilt 2025 and 0½% Treasury Gilt 2029. There were isolated calls for green gilt issuance across the curve, including for the launch of a new 5-year green gilt.

Medium (five)

Those participants who expressed a view recommended up to three re-openings of 3¼% 2033, along with further auctions of 0⅞% Green Gilt 2033 and 3¾% Treasury Gilt 2038.

Long (four)

Re-openings of 3¾% Treasury Gilt 2053 and 1½% Green Gilt 2053 were most frequently recommended by those who expressed an opinion, along with some support for issuance of 1½% Treasury Gilt 2039 and 0⅞% Treasury Gilt 2046.

Index-linked auctions (three)

The maturities most often mentioned by those who expressed a view were IL 2033 and IL 2051, although some participants also recommended a re-opening of IL 2039. A number of

attendees suggested that the choices of maturities for issuance in Q2 2023-24 should be made to limit the overall amount of duration supplied in index-linked gilts during the quarter.

Timetable

The DMO will announce details of the full gilt operations calendar for July to September 2023 at 7.30am on Wednesday 31 May 2023.

The next consultations to discuss gilt issuance for the period from October to December 2023 are currently scheduled for 3.30pm (gilt investors) and 5.00pm (GEMMs) on Tuesday 29 August 2023.