

RECORD OF THE DMO CONSULTATIONS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE APRIL TO JUNE 2024 GILT OPERATIONS CALENDAR

The DMO held consultations with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on Monday 18 March 2024 in hybrid form, with some participants attending at the DMO's offices and others joining via conference/video call.

The consultations were primarily intended to inform the choice of gilts to be sold via auction and syndication in the first quarter of financial year 2024-25.

The DMO set out a schedule of 19 gilt auction dates in the April to June 2024 period together with a proposed maturity split of conventional auctions. The DMO is planning to schedule 14 auctions of conventional gilts and five auctions of index-linked gilts in the first quarter of 2024-25. The DMO also plans to schedule two syndications in the coming quarter: a new or existing long conventional gilt in the second half of April 2024; and a current planning assumption to launch a new medium conventional gilt in June 2024, in both cases subject to demand and market conditions.

In discussion, the following main points emerged.

GEMMs

April conventional syndication

Very strong support was expressed for a re-opening of 4 $\frac{3}{8}$ % 2054, with an isolated call for the launch of a new 2055 maturity.

June conventional syndication

Most GEMMs recommended the launch of a new 2035 maturity, with January the most often suggested month in which the gilt should mature. There were also a few calls for a new January 2037 maturity, as well as some recommendations for a July or December 2034 and a June or July 2039 maturity. A number of attendees advised against launching a new medium gilt with a maturity significantly beyond the 10-year point.

Conventional auctions (14)

Short (five)

All GEMMs recommended two re-openings of 3 $\frac{3}{4}$ % 2027 and there were also a number of calls for three auctions of this gilt in the quarter. The launch and re-opening of a new 5-year maturity gilt in Q1 2024-25 was also supported unanimously, with a preference expressed by most who provided an opinion that the gilt should mature in either June or July 2029. Several GEMMs suggested a second re-opening of the new 5-year gilt within the quarter.

Medium (five)

A unanimous recommendation was made for a re-opening of 3 $\frac{3}{4}$ % 2038 with very strong support also expressed for two auctions of 4 $\frac{5}{8}$ % 2034, together with a re-opening of 0 $\frac{7}{8}$ % Green Gilt 2033. A re-opening of 4% 2031 was also strongly preferred, with a few calls for this gilt to be re-opened twice.

Long (four)

All GEMMs were in favour of an auction of 1½% Green Gilt 2053 and widespread support was also expressed for a re-opening of 4¾% 2043 (with some attendees suggesting two re-openings in the quarter). There was also strong support given for re-openings of 4¾% 2054 and 4% 2063, with an isolated call for an auction of 1½% 2073.

Index-linked auctions (five)

A range of maturities were advocated for auction, with the greatest support being expressed for re-openings of IL 2033 (with a strong preference for two re-openings), IL 2039, IL 2045, IL 2054 and IL 2073.

Gilt investors

April conventional syndication

Attendees who offered an opinion expressed a clear preference for a re-opening of 4¾% 2054 at the April 2024 transaction.

June conventional syndication

The launch of a new 10-year maturity conventional gilt was strongly advocated with a variety of maturity dates recommended, including July 2034, January, June or July 2035, January 2036 and January 2037. It was suggested by some attendees that the new gilt should have a maturity close to the 10-year point at launch.

Conventional auctions (14)

Short (five)

Amongst those participants who expressed a view, two or three re-openings of 3¾% 2027 were recommended alongside the launch (and one or two re-openings) of a new 5-year maturity gilt, with possible maturity months mentioned including March and June 2029.

Medium (five)

Re-openings of 4% 2031, 4½% 2034 and 3¾% 2038 were advocated by those providing feedback, along with one auction of 0¾% Green Gilt 2033.

Long (four)

A number of maturities were suggested for auction in April to June 2024 including 4¾% 2043, (which some suggested could be auctioned twice), 1½% Green Gilt 2053, 4¾% 2054, 4% 2063 and 1½% 2073.

Index-linked auctions (five)

A range of maturities were recommended for re-opening in Q1 2024-25 including IL 2031, IL 2033 (which most of those attendees who expressed a view suggested should be auctioned more than once), IL 2039, IL 2045, IL 2054 and IL 2073.

Timetable

The DMO will announce the details of the gilt operations calendar for April to June 2024 at 7.30am on Friday 22 March 2024.

The next consultations to discuss gilt issuance in the period July to September 2024 are currently scheduled for 3.30pm (gilt investors) and 5.00pm (GEMMs) on Monday 20 May 2024.