

## **RECORD OF THE CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE JANUARY-MARCH 2011 GILT MARKET OPERATIONS CALENDAR**

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 30 November 2010. The meetings were primarily intended to inform the choice of gilts to be issued by auction and syndication in January-March 2011.

Eleven gilt auctions are scheduled in January-March 2011: eight of conventional gilts and three of index-linked gilts. The DMO is planning to hold two short-dated conventional auctions and three each of medium- and long-dated conventional gilts in the period. One syndicated offer, an index-linked gilt, is expected to be held in the period. In discussion, the following main points emerged:

### **GEMMs**

Syndication: There was a general consensus that the transaction should be for a long-dated index-linked gilt with maturity of 30 years or longer. A range of options were mentioned, including the issuance of new bonds maturing in 2045 or 2060, or re-openings of 2040, 2050 and 2055 maturities. Late January was the generally preferred date for the transaction.

Conventional auctions: Within the short sector, there was unanimity that 2% 2016 should be re-opened at least once, with many recommending this gilt be auctioned twice. A range of other maturities were also mentioned for possible issuance alongside 2% 2016, including 4½% 2013, 2¼% 2014 and 2¾% 2015. Within the medium sector, 3¾% 2020 was widely seen as needing to be built up further, but there were also a number of calls for the launch in the quarter of a new 10-year bond maturing in March 2021, or later in that year. There were also some calls for auctions of 5% 2018, 4% 2022, and 5% 2025. A range of maturities were suggested for long-dated issuance with 4½% 2034, 4¼% 2040, and 4% 2060 most often mentioned. There were also calls for auctions of 4¼% 2027, 4¼% 2036 and 4¼% 2055.

Index-linked auctions: A wide range of maturities were mentioned as auction candidates, with all the existing three month lag maturities from 2017 to 2055 receiving nominations for re-opening. In addition there was an isolated call for a new bond (2030 maturity) to be launched by auction in the quarter.

### **Investors**

Syndication: A preference was expressed for an ultra-long maturity index-linked gilt to be sold, with a re-opening of 1¼% IL 2055 or the launch of a new 2060 maturity among the most popular suggestions. Where expressed, views were mixed on the timing of the transaction (January or February).

Conventional auctions: There was strong support for two re-openings of the new 2% 2016 in the short-dated sector. For mediums, most suggested one or two re-openings of 3¾% 2020 combined with the launch of a new 10-year gilt maturing in early 2021. Within the long-sector, there was significant support for re-opening 4½% 2034 and 4¼% 2040, but

also some calls for re-openings of ultra-long maturities (4¼% 2055 or 4% 2060). A re-opening of 4¼% 2036 was also suggested.

Index-linked auctions: At the shorter end of the curve, there were some calls for the launch of a new 2019 maturity or a new 2021 bond, but preference was generally for maturities in the 30-year area (0½% 2040 or 0½% 2042) or longer (1¼% 2055 maturity - if not sold via syndication).

**The calendar of gilt issuance in January-March 2011 will be announced by the DMO at 3.30pm on Friday 3 December 2010.**

**The annual consultation meetings with Treasury Ministers will be held at HM Treasury on Tuesday 11 January 2011.**

**The next quarterly consultation meetings to discuss gilt issuance in April-June 2011 will be held at the DMO's offices on Monday 28 March 2011.**