

RECORD OF QUARTERLY MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE APRIL-JUNE 2007 GILT AUCTION ANNOUNCEMENT

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 26 March 2007. The meetings were primarily intended to inform the choice of gilts to be issued in the scheduled auctions in April-June 2007.

Nine gilt auctions are scheduled in the first quarter of 2007-08: five conventional gilt auctions and four of index-linked gilts. The conventional auctions will be held on 3 April, 3 May, 24 May, 5 June and 21 June. The index-linked auctions will be held on 12 April, 24 April, 22 May and 26 June. Details of the gilt to be auctioned on 3 April will be announced by the DMO at 3.30pm on 27 March. The complete auction calendar for the first quarter will be announced at 3.30pm on Friday 30 March. After the DMO's introductory comments, the following main points emerged in discussion:

GEMMs

Conventional: 5¼% 2012 was the unanimous choice for issuance in the 5-year sector. For the 10-year, some suggested a December 2017 maturity but most recommended a 2018 maturity. It was suggested by some that if the new 10-year was to mature in 2018 it made sense to issue it as late as possible in the quarter (i.e. after the re-opening of 5¼% 2012) so that it might be a little closer to being a 10-year at issue. GEMMs supported the proposition that a new bond of around 30-years to maturity be issued in Q1, with most suggesting that it could be opened twice. Most also felt that a maturity of 2040 was preferable to 2037. Views were divided about whether the calendar should start with a new bond, with the 2027 or 2046 maturities suggested as alternatives. There were some calls for a re-opening of 4¼% 2055 in the quarter and also for a new gilt maturing in 2034 or 2042.

Index-linked: Most attendees recommended the index-linked programme begin with a reopening of the 2017 maturity. There was a general preference for three long auctions to include the 2027 and 2037 maturities, although there were some calls for the re-opening of the 2030 and 2055 maturities and for the launch of a new 2022 maturity.

End-investors

Conventional: 5¼% 2012 was again seen as the obvious candidate for the 5-year benchmark and those who expressed a view on the maturity of a new 10-year bond stated a preference for a bond maturing in 2018 to be built up over the next year or so. For long-dated maturities, there was general support for a new gilt with a maturity of around 30 years to be issued in the next quarter with 2037, 2040 and 2042 all mentioned as potential maturity years. Views were divided on whether the new bond should be opened twice in the quarter, with the balance to be accounted for by re-opening either or both of the 2027 or 2046 maturities. There were some calls for a new longer maturity (between 2046 and 2055) to be issued.

Index-linked: A strong preference for biasing issuance to long maturities was expressed, with some attendees noting that overall the government was planning to sell less duration in the coming year than in 2006-07. There were some calls for all four index-linked auctions in Q1 to be of long maturities, but most favoured one re-opening of the 2017. Most recommended two re-openings of the new 2037 maturity alongside one re-opening of the 2027 although there were other calls for auctions of a new 2022 and 2047 maturity bond and for a re-opening of the 2030 maturity.

The next quarterly consultation meetings will be held on Tuesday 29 May 2007.