

## **RECORD OF THE CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE OCTOBER-DECEMBER 2010 GILT MARKET OPERATIONS CALENDAR**

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 23 August 2010. The meetings were primarily intended to inform the choice of gilts to be issued by auction and syndication in October-December 2010.

Eleven gilt auctions are scheduled in October-December 2010: seven of conventional gilts and four of index-linked gilts. The DMO had outlined plans for there to be three short-dated conventional auctions and two each of medium- and long-dated conventional gilts in the period. In discussion, the following main points emerged:

### **GEMMs**

Syndication: A majority of GEMMs recommended the postponement of the planned September syndication. Late-October was widely seen as the preferred operation date for a long conventional operation (with January recommended for a subsequent index-linked sale), with the existing 2040 and 2060 maturity conventional gilts the most commonly mentioned candidates for a syndication. A number of GEMMs also suggested, however, that the next syndication should be an index-linked operation, either in October or November. Maturities mentioned for an index-linked sale by syndication focused on re-openings of 2040 or 2042 maturities, but also included the launch of a new 20-year bond.

Conventional auctions: There was very strong support for the launch of a new 5-year gilt, maturing in either January or March 2016, and for that gilt to be auctioned twice in Q3, along with an isolated call for the launch of a new 2017 maturity. Views on the maturity of the gilt to be sold at the third short conventional auction were very mixed, with suggestions including 2¼% 2014, 4¾% 2015, 3¼% 2011, 5¼% 2012, 4½% 2013 and 2¾% 2015. Two re-openings of 3¾% 2020 were seen by virtually all attendees as the preferred choice for medium maturity issuance, although there were isolated calls for an auction of 4½% 2019 or 4% 2022. A wide range of candidates were suggested for long-dated auctions, including the 2027, 2030, 2034, 2039, 2040, 2049, 2055 and 2060 maturities.

Index-linked auctions: Each of the 3-month lag bonds, with the exception of the 2027 maturity, drew some support for re-opening, with the recommended bias of issuance towards the long end (maturities of 30-years and over). There were, however, a few calls for the launch of new 10- and 20- year maturities by auction.

### **Investors**

Syndication: There was a general endorsement of the case for cancelling the September syndication and holding the next offering (of a long conventional gilt) in October. At this stage a re-opening of the 2040 maturity was seen as the preferred option by most attendees. By extension, most favoured the scheduling of a long-dated index-linked syndication in January 2011. There were isolated calls for alternative approaches involving proceeding with a September syndication as previously planned, or syndicating an index-linked gilt in November.

Conventional auctions: There was strong support for the launch of a new 2016 gilt (maturing in either January or March) and for this to be auctioned twice in Q3. Views were mixed as to the maturity of the third short-dated auction with 4½% 2013, 2¼% 2014 and 2¾% 2015 all mentioned. For medium issuance, almost all recommended two re-openings of 3¾% 2020. Views on long conventional issuance were mixed but most recommended issuance in the 30-year sector and for the maturity to be differentiated from that chosen for any conventional gilt issued by syndication. There were also a number of calls for a re-opening of the 2034 maturity.

Index-linked auctions: A range of maturities were suggested for sales by auction, including a number of requests for issuance of shorter-dated maturities, but most reported ongoing demand for long-dated maturities, and suggested re-openings of the 2040, 2050 and 2055 maturities.

**The calendar of gilt issuance for October-December 2010 will be announced by the DMO at 3:30pm on Tuesday 31 August 2010.**

**The next consultation meetings to discuss gilt issuance in January-March 2011 will be held at the DMO's offices on Monday 22 November 2010<sup>1</sup>.**

---

<sup>1</sup> *Subject to confirmation depending on the Chancellor's decision about the Budgetary timetable.*