

RECORD OF THE DMO CONSULTATIONS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE APRIL TO JUNE 2023 GILT OPERATIONS CALENDAR

The DMO held consultations with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on Monday 20 March 2023 in hybrid form, with some participants attending at the DMO's offices and others joining remotely. 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 2023-24.

The DMO set out a schedule of seventeen gilt auction dates in the April to June 2023 period, including the two gilts previously announced for sale at the auctions scheduled on Tuesday 4 and Wednesday 5 April 2023¹. The DMO is planning to schedule fourteen auctions of conventional gilts and three auctions of index-linked gilts in the first quarter of 2023-24. The DMO also expects to hold two syndicated offerings in April and May 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 re-opening of IL 2051 was most widely recommended by attendees, although there were also a number of calls for a re-opening of IL 2039. Support was also expressed by several GEMMs for the launch of a new index-linked gilt via syndication, with a range of maturities recommended in the 20- to 30-year area, and an isolated call for a re-opening of IL 2073.

Long conventional syndication

Almost all participants recommended the launch of a new 40-year conventional gilt in May 2023 with strong indications of support for a new 2063 maturity. There were also isolated calls for long conventional issuance via syndication in either the 20- or 30-year maturity area.

Conventional auctions (fourteen)

Short (six)

Strong support was expressed for at least one re-opening each of 3½% 2025, 4⅛% 2027 and 0½% 2029². A majority of GEMMs also recommended the launch of a new conventional gilt maturing in 2028, with a number suggesting that the new gilt should be re-opened during the quarter.

Medium (five)

GEMMs were unanimous in calling for at least two re-openings of 3¼% 2033, with some attendees suggesting a third re-opening during Q1 2023-24. One re-opening each of 0⅞% Green Gilt 2033 and 3¾% 2038 was also unanimously supported, with some suggestions for a second re-opening of the latter.

¹ The announcement was published at 7:30am on Monday 20 March 2023 and can be found at:

<https://www.dmo.gov.uk/media/ltmpqssk/pr200323.pdf>

² The DMO announced at 7:30am on Monday 20 March 2023 that it would be auctioning 0½% Treasury Gilt 2029 on Wednesday 5 April 2023.

Long (three)

Strong support was expressed for the re-opening of 1½% 2039 scheduled for Tuesday 4 April 2023³. A high level of consensus amongst GEMMs was also expressed for a re-opening of 3¾% 2053 at least once, with many calling for a second re-opening of this gilt during the quarter. There were also a few calls for a re-opening of 0⅞% 2046, with only isolated suggestions for issuance at other maturities.

Index-linked auctions (three)

GEMMs identified a range of index-linked gilts as auction candidates with IL 2031, IL 2039, IL 2051 and a new 10-year maturity most widely advocated. There were only limited calls for issuance at other maturities.

Gilt investors

Index-linked gilt syndication

There were calls for an index-linked gilt issue via syndication at a range of maturities between 10 years and 40 years, although centred around the 15- to 25-year area. Some participants recommended caution about issuance at longer maturities, citing uncertainty about demand in the near-term, together with regulatory risks. The majority of investors anticipated the syndication taking place in April 2023, although it was noted that this transaction could also be held later in the quarter.

Long conventional syndication

The majority of attendees were in favour of the launch of a new conventional gilt in the 40-year maturity area in May 2023, with a preference expressed by most participants for the gilt to mature in 2063. There were isolated calls for issuance at other maturities.

Conventional auctions (fourteen)

Short (six)

In addition to the auction of 0½% 2029 that has already been scheduled for Wednesday 5 April 2023, the majority of attendees who provided an opinion were in favour of two re-openings of 3½% 2025 and one re-opening of 4⅞% 2027. Attendees also expressed a preference, alongside these re-openings, for the launch of a new gilt maturing in 2028, with a number of participants suggesting that the new gilt could be re-opened during the quarter.

Medium (five)

There was broad consensus amongst those who expressed a view for two further re-openings of both 3¼% 2033 and 3¾% 2038 during the quarter. Participants also supported one re-opening of 0⅞% Green Gilt 2033.

Long (three)

Alongside the re-opening of 1½% 2039 that has already been announced for Tuesday 4 April 2023, the majority of those who expressed a view recommended two re-openings of 3¾% 2053 during the quarter, with only isolated calls for issuance at other maturities. A small

³ The DMO announced at 7:30am on Monday 20 March 2023 that it would be auctioning 1½% Treasury Gilt 2039 on Tuesday 4 April 2023.

number of attendees also noted that there is demand for a new green gilt and recommended that the launch of a third maturity point on the green gilt curve could be considered at some point in the future.

Index-linked auctions (three)

The majority of investors who provided an opinion recommended that a new index-linked gilt in the 10-year area should be launched in Q1 2023-24, with a range of maturity years suggested between 2033 and 2036. Many attendees also suggested that the new gilt should be re-opened in the quarter at least once. Some investors also expressed an interest in a re-opening of IL 2051 with one isolated call for a re-opening of IL 2073.

Timetable

The DMO will announce details of the full gilt operations calendar for April to June 2023 at 7.30am on Friday 24 March 2023.

The next consultations to discuss gilt issuance for the period from July to September 2023 are currently scheduled for 3.30pm (gilt investors) and 5.00pm (GEMMs) on Monday 22 May 2023.