

## **RECORD OF QUARTERLY MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE OCTOBER-DECEMBER 2006 GILT AUCTION ANNOUNCEMENT**

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 21 August 2006. The meetings were primarily intended to inform the allocation of the £2.5 billion of supplementary gilt issuance in the third quarter of the financial year and the choice of gilts to be issued in the scheduled auctions.

Eight gilt auctions are currently scheduled in October-December 2006: four conventional gilt auctions (one each of short- and medium- and two of long-dated gilts) and four of index-linked gilts (at least three of which are scheduled to be long-dated). The conventional auctions will be held on 3 October, 23 November, 5 December and 6 December. The index-linked auctions will be held on 12 October, 24 October, 28 November, and 14 December<sup>1</sup>. **The final gilt issuance calendar for October-December 2006 will be announced by the DMO at 3:30pm on Thursday 31 August 2006.** In discussion, the following main points emerged:

**All GEMMs.** There was a general view that the supplementary issuance should be split in various suggested proportions between conventional and index-linked and that the bias should be toward long maturities. Early November was seen as the best date for any additional auction. In terms of conventional issuance, almost all suggested either a reopening of the new 2027 gilt (to be launched on 5 September) or 4¼% 2046 for the auction on 3 October. 4% 2016 was also the virtual unanimous choice for the 23 November auction. All recommended a short and a long for 5 and 6 December but views were mixed on the scheduling. 4¼% 2011 and 4¼% 2046 were the preferred gilts.

**IL GEMMs.** There were some calls for a new 40-year index-linked gilt to be launched in the next quarter. Generally however, most IL GEMMs suggested that demand was in the 20-30 year area of the curve. Maturities suggested for issue were the 2017s, 2020s, 2027s, 2030s and 2035s with isolated calls for a new 2022 and the 2024s.

**End-investors** – expressed a range of views on supplementary issuance, from a total allocation to index-linked to a broad split consistent with the remit but the general preference was for issuance to be biased toward longs. Early November was seen as the best slot for any additional auction.

Conventional: There was a clear preference to begin the quarter with a long-dated gilt with views broadly split between the new 2027 gilt and a reopening of 4¼% 2046. Those who favoured the 2027 in October preferred the 2046 in December (and vice versa). 4% 2016 was seen as the obvious candidate for 23 November and either a reopening of 4¼% 2011 or a new 2012 on the date next to a long auction in December.

Index-linked: Most preferred a reopening of the 2017 gilt on 12 October, although there were a few calls for a new 2021 or 2022 maturity or a reopening of the 2020. Views were divided over the attractiveness of launching a new 40-year index-linked gilt in Q3, with some preferring issuance in the 20-30 year part of the curve. Most recommended at least one re-opening of the 2027 maturity.

**The next quarterly consultation meetings will be held on Monday 20 November 2006, at 3:30pm (Investors) and 5:00pm (GEMMs and IL GEMMs).**

---

<sup>1</sup> All auction dates from 23 November 2006 are subject to confirmation following the Chancellor's decision on the Budgetary timetable.