

Minutes of meeting with gilt investors in Scotland on 16 January 2009

Officials from the DMO met representatives of Scottish-based gilt investors in Edinburgh on 16 January 2009. The meeting complemented those held at HM Treasury, in London, on 12 January 2009 and was held to allow investors in Scotland to communicate their views on the structure of the DMO's financing remit for 2009-10. On the basis of the Pre-Budget Report forecast for the CGNCR in 2009-10 of £126 billion and gilt redemptions of £18 billion, the gross financing forecast for 2009-10 is currently £144 billion. In discussion, the following main points emerged:

There was a general view that there continues to be structural demand for long-dated and index-linked gilts and that it made sense for the Government to direct significant issuance into these sectors - that said it was suggested that the main focus of long-demand was currently more in the 20-30 year area of the curve rather than ultra-longs. The recent trend for Liability Driven Investment (LDI) trades by the pension sector switching from swaps to outright purchases of gilts was also noted.

The point was also made, however, that it was important for the Government to issue across the whole yield curve and that there might be some re-biasing of issuance from short towards medium-dated conventional issuance.

Support was expressed for the principles of transparency and predictability in issuance with auctions the generally preferred method. With the sharp rise in issuance, the consequent need for more frequent auctions was noted, but this was not seen as a problem. Given the volatile nature of markets and the desirability to retain an ability to respond to market circumstances more flexibly, however, it was noted that the period between the announcements of specific gilts to be auctioned and the auctions themselves might usefully be shortened.

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