

## **RECORD OF THE CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE APRIL-MAY 2009 GILT MARKET OPERATIONS CALENDAR**

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 23 March 2009. The meetings were primarily intended to inform the choice of gilts to be issued in the scheduled gilt market operations in April-May 2009. These operations are part of the implementation of the DMO's provisional financing remit for 2009-10, under which gilt sales of £147.9 billion are planned, based on the CGNCR forecast for 2009-10 as published at the Pre-Budget Report in November 2008. A new remit will be published at Budget 2009 on 22 April, based on an updated financing forecast. No changes to the gilt operations calendar for April-May 2009 will, however, be made at Budget 2009.

12 gilt auctions are scheduled in April-May 2009: 8 of conventional gilts and 4 of index-linked gilts. The conventional auctions are split by maturity as follows: 3 short-dated, 3 medium-dated and 2 long-dated. In addition 2 gilt mini-tenders are planned.

### **GEMMs**

#### Conventional:

The impact of the Bank of England's gilt purchases on secondary market liquidity was mentioned by most attendees, with a general steer given that, in current market circumstances, the DMO should take this into consideration when designing its issuance calendar. The DMO reiterated the approach set out in the exchange of letters between the Chancellor and the Governor, namely that "the Government will not alter its issuance strategy as a result of the asset transactions undertaken by the Bank for monetary policy purposes". The DMO also acknowledged that some issuance will inevitably take place at maturities within the Bank's purchase window but any such issuance will be in accordance with the DMO's normal approach of issuing across the curve.

Amongst short-dated maturities, there was support for re-openings of the new 2¼% 2014. Despite its maturity being in an already heavy redemption year, 3¼% 2011 was mentioned as a candidate for auction by a number of GEMMs, along with other short-dated gilts such as 4¾% 2015, 5% 2014, and/or 5¼% 2012. 4½% 2019 and 4% 2022 were seen as the obvious choices for issuance in the medium maturity bracket. At the long end of the curve, re-openings of the 2039 and 2049 gilts were the most widely suggested, but other long-dated gilts mentioned were the 2027, 2028, 2030, 2032 and 2055 maturities.

#### Index-linked:

There was widespread support for re-openings of the 2032 and 2047 maturities, along with various other calls for the 2017, 2022, 2027 and 2037 maturities and for the launch of a new 2019.

## **Investors**

### Conventional:

Here too, a number of investors advised directing issuance toward the gilts in the Bank's purchase window given the premia these gilts are currently attracting. The DMO reiterated the approach set out in the exchange of letters between the Chancellor and the Governor. The issuance approach suggested in the DMO agenda was broadly welcomed, and support was expressed for the continued use of mini-tenders. Within the short-dated sector, other gilts suggested for re-openings, in addition to the new 2014 maturity, were 3¼% 2011, 5¼% 2012 or something longer than 5-years. The 2019 and 2022 maturities were widely supported within the medium-sector, as were the 2039 and 2049 maturities at the long-end. Other potential candidates mentioned amongst longs were the 2030 and 2038 maturities.

### Index-linked:

A general preference for long-dated issuance was expressed, with re-openings of the 2032 and 2047 maturities widely supported. Other suggestions included the 2022, 2027 and 2037 maturities and there were isolated calls for new issues maturing in 2014/15 and 2019.

**The details of the auctions on 1 and 2 April will be announced by the DMO at 3:30pm today, 24 March. The details of the remaining auctions for April-May will be announced at 3:30pm on 31 March.**

**The next consultation meetings to discuss gilt issuance in June-September 2009 will be held at the DMO on Monday 18 May 2009.**