

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

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 14 December 2009. The meetings were primarily intended to inform the choice of gilts to be issued by auction and syndication in January-March 2010.

13 gilt auctions are scheduled in January-March 2010: 11 of conventional gilts and two of index-linked gilts. The remit requires that conventional auctions in the period be split by maturity as follows: three short-dated, five medium-dated, and three long-dated gilts. Up to two syndicated offerings will also be held. In discussion, the following main points emerged:

### **GEMMs**

Syndication: A preference was expressed for the use of syndication to issue long-dated index-linked rather than conventional gilts although there were some suggestions of a re-opening of 4% 2060, particularly if a second syndication was to be held in the quarter. Views on the maturity of a syndicated index-linked sale in January were mixed, with a new 2040 most often suggested, although a new 2060 was also mentioned by some. Suggested candidates for any re-opening by syndication included the IL 2042, 2047 and 2050 issues.

Conventional auctions: Support was expressed for the strategy of benchmark issuance that had been proposed in the agendas. In short maturities, 2¾% 2015 was seen as the main choice for at least two re-openings, with some attendees suggesting this gilt could be issued three times. A range of other gilts were suggested for re-opening alongside 2¾% 2015, including 3¼% 2011, 5¼% 2012, 4½% 2013, 5% 2014 and 4¾% 2015. Within the medium sector, there was widespread support for two re-openings of 3¾% 2019. 4¾% 2020, 4% 2022 and 5% 2018 were the other main choices of participants. Some GEMMs also recommended the launch of a new medium gilt maturing either in 2017, 2020 or 2021. Amongst long conventionals, there was widespread support for re-openings of the existing 2034 2039 and 2049 maturities, along with isolated calls for the 2060 maturity.

### Index-linked auctions:

Views here were often conditioned by recommendations given for index-linked issuance by syndications with a wide range of maturities mentioned for re-opening, including 2017, 2022, 2027, 2032, 2042, 2047 and 2050 maturities, with the 2032 and 2047 issues the most strongly recommended. There were occasional calls for the launch of a new 10-year, maturing in 2020 or 2021.

## **Investors**

Syndication: Here too, a general preference was expressed for the use of syndication to sell long-dated index-linked rather than conventional gilts and for new issues to be sold in this way rather than re-openings. In terms of maturity it was felt that the 20- or 30-year part of the curve was currently preferable to a new ultra-long. Some advised that the DMO need not be specific about plans for a possible second syndication until after the results of any offer in January were known.

Conventional auctions: There was general support for the benchmark issuance strategy proposed by the DMO in the agendas, i.e. focusing on 2¾% 2015 within the short sector and on 3¾% 2019 and, to a lesser extent, 4% 2022 in mediums, although there were also calls for a new 2017 or a new 2020 maturity. Within the long sector, there was general support for re-openings of the 2034 and 2039 maturities, alongside suggestions for re-openings of the 2036, 2049 or 2060 maturities.

Index-linked auctions: It was noted that the maturity of gilts to be sold by auction should take some account of planned syndication maturities. A number of attendees suggested there was current appetite for shorter maturities (i.e. 5- to 10-year) issues, while others recommended re-openings of the 2022, 2042, 2047 or 2050 maturities.

**The calendar of gilt issuance in January-March 2010 will be announced by the DMO at 3.30pm on Friday 18 December 2009.**

**The next consultation meetings to discuss gilt issuance in April-June 2010 will be held at the DMO on Monday 22 March 2010 (subject to the Chancellor's decision on the date of Budget 2010).**