

RECORD OF THE DMO CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE APRIL-JUNE 2016 GILT MARKET OPERATIONS CALENDAR

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 21 March 2016. The meetings were primarily intended to inform the choice of gilts to be sold via auction, syndication and tender in the first quarter of 2016-17.

Eleven gilt auctions are scheduled in April-June 2016: eight of conventional gilts and three of index-linked gilts. In addition, views were sought on the choice of gilts to be sold via syndication and tender and the timing of any such operations. In discussion, the following main points emerged:

A. GEMMs

Syndication:

Support was expressed by a majority of GEMMs for two syndications to be held in the first quarter (in late April and in late May), although of those GEMMs advocating only one transaction, views were mixed between an April and a May date and whether a single syndication might be for a conventional or index-linked gilt. Some GEMMs also saw issuance via tender as a possible alternative to a second syndication.

Those GEMMs favouring an April transaction mostly recommended a long conventional gilt, with a re-opening of 2½% 2065 the general preference, with just a few calls for a new gilt (either a new 30-year or a new ultra-long).

An index-linked transaction was recommended for any May transaction, with a re-opening of IL 2046 mostly favoured, followed by IL 2065.

Conventional auctions:

Shorts (three): Strong support was expressed for two re-openings of 1½% 2021 in the first quarter, with a majority of GEMMs recommending three auctions of that gilt. There were a few calls for the launch of a new 5-year maturity gilt towards the end of the quarter and just isolated calls for other maturities.

Mediums (two): There was unanimous support for two re-openings of 1½% 2026, and in terms of scheduling, a preference was expressed for a medium auction on 5 May and a long auction on 18 May.

Longs (three): A number of gilts were recommended for auction, with the most popular choices being a re-opening of 4¼% 2036, 4¼% 2039, 3½% 2045, 4¼% 2046, 3¾% 2052, 2½% 2065, and the launch of a new 30-year maturity. Some calls were received for two auctions of either 3½% 2045 or a new 30-year maturity gilt.

Index-linked auctions (three): A range of gilts were recommended for auction, with IL 2026, IL 2036, IL 2046 and IL 2058 most favoured, with some calls for IL 2036 to be re-opened twice.

B. Investors

Syndication:

Most attendees recommended the scheduling of two syndications in the quarter with a long conventional in April. A re-opening of 2½% 2065 was the generally favoured bond. An index-linked transaction was suggested for May, with the 30-year area the most widely recommended, with some calls for an ultra-long.

Conventional auctions:

Shorts (three):

Where a specific recommendation was made, re-openings of 1½% 2021 were generally preferred, with isolated calls for other maturities.

Mediums (two):

Where attendees expressed a preference, re-openings of 1½% 2026 were proposed.

Longs (three):

A wide range of gilts was recommended including in the 20-year area (4¼% 2036 or 4¼% 2039 maturities), 30-year (3½% 2045, 4¼% 2046 or a new 30-year maturity) or longer, with the 2049, 2052, 2055, 2060 and 2068 maturities all mentioned.

Index-linked auctions (three):

Issuance along the curve was recommended with IL 2026, IL 2036 and IL 2046 most frequently mentioned. Suggestions for longer maturities included IL 2058 and IL 2060.

Any other business

The choice of short and medium conventional gilts to be auctioned on 5 and 7 April 2016 respectively will be announced by the DMO at 3.30pm on Tuesday 22 March 2016, with the sizes and other details of these auctions to be announced at 3.30pm on Tuesday 29 March 2016.

The remaining calendar of gilt issuance in April-June 2016 will be announced by the DMO at 3.30pm on Thursday 31 March 2016.

The next quarterly consultation meetings to discuss gilt issuance in July-September 2016 are expected to be held at the DMO's offices on 23 May 2016.