

RECORD OF THE DMO CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE JANUARY-MARCH 2019 GILT MARKET OPERATIONS CALENDAR

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 26 November 2018. The meetings were primarily intended to inform the choice of gilts to be sold via auction and syndication in the final quarter of the financial year 2018-19.

Nine gilt auctions are scheduled in January-March 2019: seven of conventional gilts and two of index-linked gilts. In addition to views on the choices of gilts for sale via auction, feedback was also sought on the choice of maturity for an index-linked gilt to be sold via syndication in Q4 2018-19, as well as the timing of that transaction. Views were also sought on demand for any gilt tenders in the period ahead. In discussion, the following main points emerged.

GEMMs

Syndication

There was a near unanimity of view that the syndication in Q4 2018-19 should be for a reopening of IL 2041. Opinions were, however, divided between late January and early February for the timing of the transaction. In general, it was felt that there was some benefit in retaining some flexibility on the scheduling at this stage.

Conventional auctions (seven)

There was some discussion about possible marginal changes to the scheduling of auctions in the quarter to reflect timing options for the index-linked syndication and the index extension occurring on 22 March 2018.

Short (two)

1% 2024 was the unanimous choice of gilt to be auctioned twice in the next quarter.

Medium (two)

All GEMMs recommended two re-openings of 1½% 2028.

Long (three)

The three gilts most often recommended for auction in the next quarter were 1¾% 2037, 1¾% 2049 and 1¾% 2057. There were a few calls for the 2049 gilt to be auctioned twice and one recommendation for it to be re-opened three times. There was also an isolated call for an auction of 1½% 2071.

Index-linked auctions (two)

Strong support was expressed for auctions of IL 2028 and IL 2048, with a few proposals for an auction of an index-linked gilt of a different maturity.

Investors

Syndication

Strong support was expressed for a re-opening of IL 2041, although there was an isolated call for a syndication of IL 2048. Late January-early February was proposed as a suitable timing for the transaction.

Conventional auctions (seven)

Short (two)

Where a view was expressed, investors recommended two auctions of 1% 2024.

Medium (two)

Investors favoured two auctions of 1½% 2028, to the extent that a preference was expressed, although there was one call for the launch of a new 2029 maturity gilt.

Long (three)

Re-openings of 1¾% 2037 and 1¾% 2049 were most often requested, with a number of suggestions for either of those bonds to be auctioned twice in the quarter. Some attendees also recommended a re-opening of 1¾% 2057.

Index-linked auctions (two)

IL 2028 was the most often recommended gilt for auction. A re-opening of IL 2048 was the next most often suggested. There were also a few calls for an auction of IL 2036 and an isolated suggestion for an auction of IL 2065.

Timetable

The DMO will announce details of the gilt operations calendar for January-March 2019 at 7.30am on Friday 30 November 2018.

The next consultation meetings to discuss gilt issuance in April-June 2019 are currently scheduled to be held at 3.30pm (end-investors) and 5.00pm (GEMMs) on Monday 18 March 2019 (subject to confirmation).