

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

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 20 May 2019. The meetings were primarily intended to inform the choice of gilts to be sold via auction and syndication in the second quarter of the financial year 2019-20.

Nine gilt auctions are scheduled in July-September 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 gilts for issuance at two currently planned syndications in Q2 (of an index-linked gilt in July 2019 and of a conventional gilt in September 2019). Views were also sought on demand for any gilt tenders in the period June-September 2019. In discussion, the following main points emerged.

GEMMs

Syndications

July: A re-opening of 0½% Index-linked Treasury Gilt 2041 was recommended by most GEMMs. There were, however, a number of calls for a re-opening of existing longer maturity gilts as a means of providing additional duration, with 0½% Index-linked Treasury Gilt 2056 in particular mentioned by a few GEMMs (alongside one call for the launch of a new 35-year maturity).

September: The two gilts almost exclusively recommended for re-opening were either 1½% Treasury Gilt 2054 or 1½% Treasury Gilt 2071, although there was an isolated call for an unspecified ultra-long maturity gilt of over 35 years. However, it was also noted by many attendees that it was appropriate to remain flexible on the specific maturity at this stage.

Conventional auctions (seven)

Short (three)

Views were broadly divided between those recommending three auctions of a new 2025 maturity gilt in Q2 and those who suggested a final re-opening of 1% Treasury Gilt 2024 in July, followed by the launch of a new 5-year gilt in August. April and July 2025 were the most often suggested maturity months for the new gilt. There was also a single call for an auction of 2% Treasury Gilt 2025 in July.

Medium (two)

Views were unanimously in favour of two auctions of the new conventional gilt maturing on 22 October 2029, which is due to be launched via auction on 18 June 2019.

Long (two)

The two gilts most often recommended for re-opening in Q2 were 1¾% Treasury Gilt 2037 and 1¾% Treasury Gilt 2049, with two suggestions that the latter gilt be auctioned twice in the quarter. Other long conventional gilts mentioned as auction candidates for Q2 included a new 2041 gilt.

Index-linked auctions (two)

The two index-linked gilts that were most frequently recommended for reopening in Q2 were IL 2028 and IL 2048. There were, however, other calls for auctions of IL 2036, IL 2065 and IL 2041 if that was not to be the syndication choice.

Investors

Syndications

July: While most attendees who expressed a view recommended a re-opening of IL 2041, there were also a number of calls for a re-opening of IL 2056 to provide some additional duration.

September: Most attendees who expressed a view cited a re-opening of either 1½% Treasury Gilt 2054 or 1½% Treasury Gilt 2071, with other less specific suggestions for a bond in the over 35-year area. It was noted, however, that it would be premature to be definitive about the choice of gilt at this stage.

Conventional auctions (seven)

Short (three)

Where a recommendation was made, views were divided between those suggesting three auctions of a new 5-year maturity (with proposals that the gilt mature in January, April, July or October 2025) and those who recommended a final auction of 1% Treasury Gilt 2024, followed by the launch of a new 5-year gilt in August.

Medium (two)

Two auctions of the new 22 October 2029 gilt were recommended by all those who expressed a view.

Long (two)

A number of gilts were recommended for re-opening, with the most frequently mentioned being 1¾% Treasury Gilt 2037 and 1¾% Treasury Gilt 2049. Some calls were also received for a new gilt to be launched in the 25-year area (2041 or 2043 maturities were mentioned) and for longer maturities, including 1¾% Treasury Gilt 2057 and 1½% Treasury Gilt 2071.

Index-linked auctions (two)

Here a range of maturities was recommended including re-openings of IL 2028, IL 2048 and IL 2056. There were also some calls for unspecified maturities in the 10-, 20-, and 30-year areas, as well as a suggestion that a new gilt maturing in 2033 be auctioned twice.

Timetable

The DMO will announce details of the gilt operations calendar for July-September 2019 at 7.30am on Friday 31 May 2019.

The next consultation meetings to discuss gilt issuance in October-December 2019 are currently scheduled to be held at 3.30pm (end-investors) and 5.00pm (GEMMs) on Monday 19 August 2019 (subject to confirmation).