

RECORD OF THE DMO CONSULTATION CONFERENCE CALLS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE APRIL-JUNE 2020 GILT MARKET OPERATIONS CALENDAR

The DMO held conference calls with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on Monday 16 March 2020. The meetings were primarily intended to inform the choice of gilts to be sold via auction and syndication in the first quarter of the financial year 2020-21.

Fourteen gilt auctions are scheduled to be held in April-June 2020: twelve of conventional gilts and two of index-linked gilts. In addition to views on the choices of gilts for sale via auction, feedback was sought on the choice for a conventional gilt syndication currently planned to take place in Q1 2020-21. Views were also sought on demand for gilt tenders in the period ahead. In discussion, the following main points emerged.

GEMMs

Syndication

A re-opening of 1 $\frac{5}{8}$ % 2054 in mid-May 2020 was supported by most attendees at this stage, with isolated calls for the launch of a new 30-year gilt or a reopening of 1 $\frac{3}{4}$ % 2049, 1 $\frac{3}{4}$ % 2057 or 1 $\frac{5}{8}$ % 2071. It was generally recommended, however, that the DMO retain some flexibility over the precise maturity of the gilt to be sold at this stage.

Conventional auctions (twelve)

Short (six)

Strong support was expressed for the launch and re-opening of a new 2- to 3-year gilt in Q1 2020-21, with January 2023 the most often recommended maturity month, although there were a few proposals for an April 2023 maturity. Two attendees suggested that the DMO focus issuance on existing gilts in the short basket rather than issue a new 2- to 3- year gilt.

There was significant support for the launch of a new 5-year maturity gilt, with January 2026 the most often recommended maturity month. There was also, however, considerable support for at least one more re-opening of 0 $\frac{5}{8}$ % 2025 and, to a lesser extent, a re-opening of 2% 2025.

Medium (three)

While there was a significant number of recommendations for a re-opening of 0 $\frac{7}{8}$ % 2029, there was also strong support for the launch and re-opening of a new 10-year maturity gilt. Most attendees advocated a 2030 maturity; however a few calls were also received for a new 2031 maturity gilt.

Long (three)

Recommendations for the re-opening of 1 $\frac{1}{4}$ % 2041 and 1 $\frac{3}{4}$ % 2049 were most often mentioned, with a few calls for one of these two gilts to be re-opened twice in Q1 2020-21. Other long gilts mentioned as auction candidates were 1 $\frac{5}{8}$ % 2054 and 1 $\frac{3}{4}$ % 2057.

Index-linked auctions (two)

The most often suggested index-linked gilt for re-opening was IL 2028, with other maturities between IL 2029 and IL 2041 also mentioned. There were also a few calls for a new gilt to be launched, with a maturity in the 10-year area.

Investors

Syndication

A re-opening of 1 $\frac{5}{8}$ % 2054 was seen as preferred if a decision over the choice of gilt for the syndication in Q1 2020-21 was to be made now. However it was suggested that the DMO should retain some flexibility to choose the maturity of gilt to issue closer to the offering with a timing of mid-May 2020 recommended by most. Some suggestions were received that a new gilt in the 2059 to 2062 maturity area might be a suitable option if the focus of market demand was to move longer in the coming period.

Conventional auctions (twelve)

Short (six)

Where views were expressed, there was support for new 2023 and 2026 maturities to be launched and re-opened in Q1 2020-21, with some suggestions that these new gilts should mature in January of the relevant years. The suggestion was made that a new 2023 be launched and built-up before launching a new 2026 maturity to avoid too many new gilts being issued in close proximity. Some participants noted, however, that demand for 2- to 3-year gilts could be sporadic.

Medium (three)

The launch and re-opening of a new 2030 maturity was advocated by those that offered a view, with some recommending three auctions of a new gilt. A few attendees, however, preferred a further auction of 0 $\frac{7}{8}$ % 2029 before the launch of a new gilt.

Long (three)

Of those who expressed a view on specific maturities, re-openings of 1 $\frac{1}{4}$ % 2041 and 1 $\frac{3}{4}$ % 2049 were the most popular recommendations; other gilts mentioned for auction were 1 $\frac{5}{8}$ % 2054 and 1 $\frac{3}{4}$ % 2057.

Index-linked auctions (two)

Those who commented on index-linked issuance suggested that the focus in Q1 2020-21 should be on shorter maturities given the backdrop of the RPI consultation: IL 2028 was most often mentioned by those giving an opinion, followed by IL 2036. There were isolated calls for a re-opening of IL 2041, and for new index-linked gilts in either the 15- to 20-year area or the 20- to 30-year area.

Timetable

The DMO will announce the specific maturity of the gilt to be auctioned on Thursday 2 April 2020 at 3.30pm on Tuesday 17 March 2020.

Details of the full gilt operations calendar for April-June 2020 will be published at 7.30am on Friday 20 March 2020.

The next quarterly consultation meetings to discuss gilt issuance in July-September 2020 are currently scheduled to be held at 3.30pm (end-investors) and 5.00pm (GEMMs) on Monday 18 May 2020.