

RECORD OF THE DMO CONSULTATION CONFERENCE CALLS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE OCTOBER-DECEMBER 2021 GILT OPERATIONS CALENDAR

The DMO held conference calls with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on Monday 23 August 2021. The calls were primarily intended to inform the choice of gilts to be sold via auction and syndication in the third quarter of the financial year 2021-22 and also to seek views on inaugural green gilt issuance in September and October 2021.

20 gilt auctions are scheduled to be held in October to December 2021: 17 of conventional gilts and three 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 an index-linked gilt for sale via syndication.

The DMO also sought views on the maturities, sequencing and precise timing of the first two green gilt transactions, which are planned to take place in September and mid to late October 2021. Views were also sought on demand for issuance via gilt tenders in the period August to December 2021.

In discussion, the following main points emerged.

GEMMs

Green gilt issuance

- **September:** an inaugural green gilt issue in the 10- to 12-year maturity area was generally recommended with most GEMMs favouring a bond maturing in 2033 although there were some calls for a 2032 maturity.
- **October:** a preference was expressed, at this stage, for an issue in the 20- to 30-year maturity area.

Index-linked (IL) gilt syndication

Feedback from some attendees was supportive of the launch of a new ultra-long index-linked gilt with maturity years 2071 to 2074 mentioned. Others, however, noted that it might be premature to extend the real curve in the coming quarter, with IL 2051 in particular a preferred candidate for re-opening by some.

Conventional auctions (17)

Short (five)

Significant support was expressed for up to three re-openings of 0¼% 2025 and for two auctions of 0¾% 2026. There were a few calls for auctions of 0½% 2025 and 0¼% 2026 with only isolated calls for other maturities.

Medium (up to five)

At least two re-openings of the new 31 January 2029 maturity gilt (to be launched on 1 September 2021) were widely advocated, as was the launch of a new 2032 maturity gilt to become the next 10-year benchmark. There were also a number of calls for another auction of 0¼% 2031 in the quarter, and one or two calls for issuance of other medium gilts.

Long (up to eight)

A number of bonds received significant support for re-opening including 1⅛% 2039, 0⅞% 2046 and 1¼% 2051, with 0½% 2061 and 1⅝% 2071 also recommended by many to take account of reported ongoing demand for duration.

Index-linked auctions (three)

Re-openings of IL 2031, IL 2039 and IL 2051 were most widely advocated for Q3 2021-22, with isolated calls for auctions of other maturities.

Investors

Green gilt issuance

- **September:** a general preference was expressed for an initial issuance in the 10- to 12-year area with 2033 mentioned by most as an appropriate maturity year.
- **October:** attendees mostly favoured issuance of a longer green gilt in the 30-year maturity area for the second transaction, with a 2053 maturity cited by a number of participants.

Index-linked gilt syndication

A mixture of views was expressed; some attendees felt that a curve extension would be appropriate, but amongst those advocating a curve extension, opinions were divided about whether the curve should be extended to 2071, or longer to 2073 or 2074. Some attendees, however, felt that a curve extension was premature at this time. There were other calls for a re-opening of IL 2051 and a new 40-year maturity.

Conventional auctions (17)

Short (five)

Where views were expressed there was general support for re-openings of 0¼% 2025 and 0⅜% 2026.

Medium (up to five)

Where attendees made recommendations, re-openings of the new 31 January 2029 gilt and the launch and re-opening of a new 2032 maturity were supported. Some also recommended an auction of 0¼% 2031.

Long (up to eight)

A number of gilts were recommended for re-opening in the coming quarter, mainly combinations of 1⅛% 2039, 0⅞% 2046, 1¼% 2051, 0½% 2061 and 1⅝% 2071.

Index-linked auctions (three)

A number of different maturities were advocated for issuance including IL 2031, IL 2039, IL 2041, IL 2051, IL 2056 and IL 2065.

Timetable

The DMO will announce details of the gilt operations calendar for October-December 2021 at 7.30am on Tuesday 31 August 2021.

The next consultations to discuss gilt issuance in January-March 2022 are currently scheduled to be held at 3.30pm (investors) and 5.00pm (GEMMs) on Monday 22 November 2021 (subject to confirmation pending the Chancellor's decision on the timing of fiscal events).