

## **RECORD OF THE DMO CONSULTATION CONFERENCE CALLS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE JANUARY-MARCH 2021 GILT MARKET OPERATIONS CALENDAR**

The DMO held conference calls with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on Monday 30 November 2020. The calls were primarily intended to inform the choice of gilts to be sold via auction and syndication in the final quarter of the financial year 2020-21.

28 gilt auctions are scheduled to be held in January-March 2021: 22 of conventional gilts and six of index-linked gilts. In addition to views on the choices of gilts for sale via auction, feedback was also sought on the choice(s) of gilt(s) for sale via syndication in Q4 2020-21. In discussion, the following main points emerged.

### **GEMMs**

#### **Syndication: conventional**

Majority support was expressed for a long conventional syndication in January 2021, with the launch of a new 2046 or a new 2051 maturity the most often mentioned. The absence of any current coupon bonds in the 25-year maturity area of the curve was acknowledged by some, while others noted that issuing a new gilt maturing in 2051 via syndication in Q4 2020-21 need not preclude further auctions of 0<sup>5</sup>/<sub>8</sub>% 2050.

#### **Conventional auctions (22)**

##### **Short (6)**

Further re-openings of both 0<sup>1</sup>/<sub>8</sub>% 2024 and 0<sup>1</sup>/<sub>8</sub>% 2026 were seen as central to the short conventional issuance programme in Q4 2020-21. Support was also widely expressed for the launch of a new 5-year gilt later in the quarter, with October 2026 or January 2027 cited as possible maturity months for any such new gilt. There were some recommendations for other gilts to be considered, specifically those in demand in the repo market.

##### **Medium (6)**

Auctions of 0<sup>1</sup>/<sub>4</sub>% 2031 and 0<sup>5</sup>/<sub>8</sub>% 2035 were recommended as the ongoing focus of the medium auction programme in Q4 2020-21. There were also some calls for re-openings of 0<sup>1</sup>/<sub>8</sub>% 2028 with limited calls for issuance at other maturities.

##### **Long (10)**

A wide range of maturities were recommended for auction with 1<sup>1</sup>/<sub>4</sub>% 2041, 0<sup>5</sup>/<sub>8</sub>% 2050, 1<sup>5</sup>/<sub>8</sub>% 2054, 0<sup>1</sup>/<sub>2</sub>% 2061 and 1<sup>5</sup>/<sub>8</sub>% 2071 most often advocated for re-opening. A number of attendees suggested that there was sufficient demand and richness in the ultra-long sector to justify two or more auctions of the longest gilts.

#### **Syndication: index-linked**

Support was also generally expressed for the scheduling of an index-linked syndication in Q4 2020-21. A number of gilts were recommended for issuance via syndication, including the launch of a new gilt in the 15- to 30-year maturity area or a new 2051 maturity. There were also some calls for a re-opening of IL 2041, IL 2048 and IL 2056 via syndication.

It was noted that the scheduling of an index-linked syndication was likely to result in the cancellation of at least one planned index-linked auction and/or smaller average auction sizes.

### **Index-linked auctions (6)**

A number of maturities were recommended for auction with IL 2036, IL 2037, IL 2041, IL 2048 and IL 2056 the most often mentioned. There was also considerable support for the launch and re-opening within the quarter of a new 10-year gilt with suggestions for the maturity year between 2030 and 2033.

### **Investors**

#### **Syndication: conventional**

Attendees were supportive of a long conventional syndication in January 2021 and, where views were expressed about the maturity of issuance, these were split between recommendations for a new gilt maturing in either 2046 or 2051, with a greater demand expressed for the former, subject to the auction calendar providing additional duration through inclusion of some longer dated gilts.

#### **Conventional auctions (22)**

##### **Short (6)**

Where views were expressed, re-openings of 0 $\frac{1}{8}$ % 2024 and 0 $\frac{1}{8}$ % 2026 were recommended. Also mentioned by some attendees was the possibility of launching a new 5-year benchmark later in the quarter. Another possible candidate mentioned for issuance in Q4 2020-21 was 1% 2024.

##### **Medium (6)**

Re-openings of 0 $\frac{1}{4}$ % 2031 and 0 $\frac{5}{8}$ % 2035 were recommended by those who expressed an opinion in order to continue to build the gilts to benchmark size. Other medium maturities mentioned were 4 $\frac{1}{4}$ % 2032 and 4 $\frac{1}{2}$ % 2034.

##### **Long (10)**

On the assumption that a long gilt with a lower duration would be issued via syndication in Q4 2020-21, a number of attendees recommended that this should be balanced by some supply of higher duration gilts via auction with 0 $\frac{1}{2}$ % 2061 and 1 $\frac{5}{8}$ % 2071 recommended. Some attendees also suggested continuing to build up 1 $\frac{1}{4}$ % 2041 and 0 $\frac{5}{8}$ % 2050 with other suggestions for re-openings of 1 $\frac{5}{8}$ % 2054 by auction.

#### **Syndication: index-linked**

A number of attendees recommended that an index-linked syndication should be scheduled in February 2021 with the launch of a new gilt in the 30-year area (2051 maturity) mentioned by most of those who expressed a view. There were isolated calls for a re-opening of either IL 2041 or IL 2048 via syndication in Q4 2020-21.

## **Index-linked auctions (6)**

Interest was expressed in the launch and re-opening within the quarter of a new 10-year index-linked gilt, with a maturity year of 2031 most widely recommended by those who offered feedback. There were, however, some suggestions for a new 2033 maturity. Other bonds recommended for re-opening by auction were IL 2029, IL 2037, IL 2041, IL 2046, IL 2056, IL 2058 and IL 2068. The upcoming index event in late March 2021 was cited as an opportunity to schedule a longer bond for auction around that date.

## **Gilt tender(s)**

A few GEMMs and investors recommended a tender of an index-linked gilt to help meet emerging demand following the publication of the response to the consultation on reform to RPI methodology. It was noted that the scheduling of any tender would result in marginally less index-linked supply via auction in Q4 2020-21.

## **Timetable**

The DMO will announce details of the gilt operations calendar for January-March 2021 at 7.30am on Friday 4 December 2020.

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