

RECORD OF THE DMO CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE JANUARY-MARCH 2020 GILT MARKET OPERATIONS CALENDAR

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on Monday 18 November 2019. The meetings were primarily intended to inform the choice of gilts to be sold via auction and syndication in the final quarter of financial year 2019-20. There was also a discussion about the identity of the gilts to be sold at the two auctions added to the December 2019 auction calendar, following the adjustment to the DMO's financing remit announced on 12 November 2019.

Nine gilt auctions are scheduled to be held in January-March 2020: six 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 gilt for a currently planned conventional gilt syndication in Q4 2019-20. Views were also sought on any demand for gilt tenders in the period to end-March 2020. In discussion, the following main points emerged.

GEMMs

a) December 2019: additional auctions on 5 December 2019 and 17 December 2019

There was unanimity that the additional long conventional auction should take place on Thursday 5 December 2019, with the short conventional auction scheduled on Tuesday 17 December 2019.

Views were, however, mixed on the specific maturities of gilts to be sold, in particular for the long conventional auction. 1¾% 2037 and 1¾% 2049 were the most often recommended candidates for the auction scheduled for 5 December 2019, but there were also calls for 1½% 2054 and 1¾% 2057, as well as isolated suggestions for re-openings of 3¾% 2052, 4¾% 2038, 4¼% 2039 and 1½% 2071, or the launch of a new 20-year maturity gilt.

0½% 2025 and 2% 2025 were the most frequently recommended gilts for the conventional auction scheduled for 17 December 2019, although some attendees suggested a re-opening of 1½% 2026.

b) Q4 2019-20

Syndication

Re-openings of either 1½% 2054 or 1½% 2071 were widely seen as the most likely candidates for sale at the next syndication, with a number of attendees suggesting that a choice on the specific maturity need not be made at this early stage. There were only isolated calls for an alternative gilt, with the launch of a new 2041 maturity or a re-opening of 1¾% 2057 suggested. February 2020 was generally seen as the appropriate month in which to hold the transaction.

Conventional auctions (six)

Short (two)

Two auctions of 0½% 2025 were unanimously recommended.

Medium (two)

All GEMMs advised that 0 $\frac{7}{8}$ % 2029 should be auctioned twice.

Long (two)

Most attendees recommended one auction of 1 $\frac{3}{4}$ % 2049 and the launch of a new 2041 maturity in Q4 2019-20. There were only limited calls for other gilts, including 1 $\frac{3}{4}$ % 2037, 1 $\frac{3}{4}$ % 2057 and 1 $\frac{5}{8}$ % 2071.

Index-linked auctions (three)

Re-openings of IL 2028 and IL 2048 were most frequently recommended, but there was also support expressed for auctions of IL 2036 and IL 2056. There were only isolated calls for other maturities to be auctioned.

Investors

a) December 2019: additional auctions on 5 December 2019 and 17 December 2019

Attendees recommended that the two new conventional auctions scheduled in December 2019 be used respectively to issue a long gilt on Thursday 5 December 2019 and a short gilt on Tuesday 17 December 2019.

A range of long maturities were mentioned for sale at the auction on 5 December 2019, with the most often mentioned being 1 $\frac{3}{4}$ % 2037, 1 $\frac{3}{4}$ % 2057 and 1 $\frac{5}{8}$ % 2071. There were also other calls for a re-opening of 4 $\frac{1}{4}$ % 2039 and 1 $\frac{5}{8}$ % 2054.

Where a view was expressed, investors generally favoured a re-opening of 0 $\frac{5}{8}$ % 2025 for the auction on 17 December 2019, although there were a few suggestions for re-openings of 2% 2025, 1 $\frac{1}{2}$ % 2026 or 1 $\frac{1}{4}$ % 2027.

b) Q4 2019-20

Syndication

A number of gilts were suggested for sale in Q4 2019-20. Re-openings of either 1 $\frac{5}{8}$ % 2054 or 1 $\frac{5}{8}$ % 2071 were mentioned by some, although there were also calls for a new 2041 maturity, a re-opening of 1 $\frac{3}{4}$ % 2057 or the launch of a new gilt with a maturity in the 2060-65 range. Those who expressed a view recommended February 2020 as the month for the sale.

Conventional auctions (six)

Short (two)

Two auctions of 0 $\frac{5}{8}$ % 2025 in Q4 2019-20 were recommended by all attendees who expressed a view.

Medium (two)

0 $\frac{7}{8}$ % 2029 was preferred by those who commented for the two medium conventional auctions in Q4 2019-20.

Long (two)

A range of maturities for re-opening was advocated including 1¾% 2049, 1⅝% 2054, 1¾% 2057 and 1⅝% 2071. The majority of attendees who expressed a view also recommended the launch of a new 2041 or 2043 maturity gilt by auction.

Index-linked auctions (three)

The most often suggested maturities for re-opening were IL 2028, IL 2036 and IL 2048, but there were also isolated calls for auctions of IL 2052 and IL 2056 or the launch of a new 35-year maturity.

Timetable

The DMO will announce the specific maturities of the gilts to be auctioned on Thursday 5 December 2019 and Tuesday 17 December 2019 at 3.30pm on Wednesday 20 November 2019.

Details of the gilt operations calendar for January-March 2020 will be published at 7.30am on Friday 29 November 2019.

The next consultation meetings to discuss gilt issuance in April-June 2020 are currently scheduled to be held at 3.30pm (end-investors) and 5.00pm (GEMMs) on Monday 16 March 2020 (subject to confirmation pending the Chancellor's decision on the timing of the next fiscal event).