

## **RECORD OF THE DMO CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE OCTOBER-DECEMBER 2015 GILT MARKET OPERATIONS CALENDAR**

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 24 August 2015. The meetings were primarily intended to inform the choice of gilts to be sold via syndication in September 2015 and via auctions and syndication in the third quarter of 2015-16.

Ten gilt auctions are scheduled in October-December 2015: seven of conventional gilts and three of index-linked gilts. In addition, up to two syndicated offers are envisaged in that period. In discussion, the following main points emerged:

### **GEMMs**

#### **Syndication:**

September: Almost all GEMMs called for a re-opening of IL 2068, with isolated calls for IL 2046 or a new ultra-long index-linked gilt.

Q3: A clear preference was expressed for two syndications to be held in the quarter, with a long conventional gilt sale in October and an index-linked gilt sale in November. Some noted, however, that to hold two syndications in Q3 would result in three transactions in three successive months, which could prove challenging in terms of the amount of risk it would bring to the market. In this context, those advocating two syndications pointed to seasonal factors and the prevailing strength of demand for duration, but also acknowledged that market risk capacity should be taken into account through issuance in the 30-year area rather than ultra-long via syndication in November.

October: The most popular recommendation was a new conventional gilt in the 40- to 50-year area, with a 2065 maturity the most often mentioned, although there were a number of calls for the re-opening of 3½% 2068 and one call for a new gilt in the 30-year area.

November: The preferred option for most was a re-opening of the IL 2046 gilt, though there were also calls for the launch of a new long-dated index-linked gilt, or the re-opening of IL 2068, where that had not been proposed for September.

#### **Conventional auctions: Shorts (2):**

There were unanimous calls for two auctions of the new January 2021 gilt, which will be launched by auction next week.

#### **Mediums (2):**

There were almost unanimous calls for two auctions of 2% 2025, although 5% 2025 and 6% 2028 were mentioned in passing by some as potential candidates for auction or mini-tender.

#### **Longs (3):**

Almost all attendees advocated at least one re-opening of 3½% 2045, with considerable support for two re-openings of that gilt. Re-openings of 4½% 2034, 4¼% 2039 and 3¾% 2052 were the next most widely recommended. Isolated calls were made for a re-opening of

a new 30- or 50-year maturity gilt via auction late in the quarter (assuming an earlier launch via syndication).

#### Index-linked auctions (3):

At least one re-opening of IL 2026 was the most popular recommendation, with the IL 2032, IL 2037 and IL 2058 maturities the next most frequently requested candidates.

### **Investors**

#### Syndication:

September: Clear support was expressed for a re-opening of IL 2068 in September, but there were isolated calls for a re-opening of IL 2046 and for the launch of a new index-linked gilt with a maturity longer than 2068.

Q3: Most suggested that two syndications could be scheduled, with a long conventional gilt generally favoured for October and an index-linked gilt for November.

October: A new 2065 maturity was the most often mentioned, but there were also calls for a new 30-year gilt, a new gilt maturing in 2058, a re-opening of 4% 2060 or the extension of the curve beyond 2068.

November: A range of maturities was suggested, with a re-opening of IL 2046 most often mentioned. Support was again expressed for the launch of a new index-linked gilt with a maturity longer than 2068 for this issuance window.

#### Conventional auctions:

#### Shorts (2):

Strong support was expressed for two re-openings of the new 2021 gilt, although there was an isolated call for an auction of 4½% 2019.

#### Mediums (2):

Significant support was expressed for two re-openings of 2% 2025, although some attendees suggested that one of the medium auctions might be of 5% 2025.

#### Longs (3):

A re-opening of 3½% 2045 was most often suggested (with some calls for it to be auctioned twice in the quarter), but with a range of other maturities also suggested, including 4¾% 2030, 4½% 2034, 4¾% 2038, 4¼% 2039, 4¼% 2055, and 3½% 2068.

#### Index-linked auctions (3):

Here too, a wide range of maturities was mentioned; IL 2026 was the most popular recommendation, including some calls for it to be auctioned twice. Other maturities proposed included IL 2037, IL 2046, IL 2052, IL 2058 and IL 2062.

**Any other business**

The calendar of gilt issuance in October-December 2015 will be announced by the DMO at 3:30pm on Friday 28 August 2015.

The next quarterly consultation meetings to discuss gilt issuance in January-March 2016 are provisionally scheduled to be held at the DMO's offices on Monday 23 November 2015<sup>1</sup>.

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<sup>1</sup> Subject to confirmation depending on the Chancellor's decision on the Budgetary timetable.