

RECORD OF THE CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE JULY-SEPTEMBER 2011 GILT MARKET OPERATIONS CALENDAR

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 23 May 2011. The meetings were primarily intended to inform the choice of gilts to be issued by auction and syndication in July-September 2011.

Eleven gilt auctions are scheduled in July-September 2011: seven of conventional gilts and four of index-linked gilts. The DMO envisages that there will be three short-dated conventional auctions and two each of medium-dated and long-dated conventional gilts in the next quarter of 2011-12. Up to two syndicated offerings are also planned. In discussion, the following main points emerged:

GEMMs

Syndications:

A re-opening of 4% 2060 was the generally preferred choice for the syndicated offer in the second half of June.

The DMO had previously indicated that it was planning to hold an index-linked syndication in July to coincide with the index-event as IL 2016 falls out of the over 5-year index. A clear majority of GEMMs favoured a re-opening of the new 0 3/4% IL 2034 in July.

The recommendations for a second syndication in September were more mixed, but with a majority favouring a new conventional gilt maturing in either the 30- or 40- year areas. There were also isolated calls for the sale of an ultra-long conventional in September or for two index-linked syndications in Q2.

Conventional auctions:

For short-dated issuance, strong support was indicated for the launch and subsequent re-opening of a new 5-year gilt, with views divided between a January and March 2017 maturity. 2% 2016 was the next most popular bond for re-opening alongside a new 5-year gilt. In the medium sector, there was virtual unanimity that the DMO should auction 3¾% 2021 twice. Amongst long-dated gilts, there was greatest support for a re-opening of 4¼% 2040, with some calls for it to be re-opened twice. Other gilts frequently requested for re-opening included 4½% 2034, 4¼% 2039 and 4¼% 2049.

Index-linked auctions:

There was a wide range of bonds recommended for re-opening, although some expressed a preference to avoid shorter-dated issues. The 2027, 2040, 2042, 2047 and 2055 maturities were the most often mentioned.

Investors

Syndications:

Where an opinion was expressed, most investors recommended a re-opening of 4% 2060 for the syndicated offer in the second half of June, although there were isolated calls for the launch of a new 30-year gilt.

A re-opening of 0¾% IL 2034 was generally the preferred option for the July syndication. A number of investors also suggested that the DMO hold two index-linked gilt syndications in Q2 and, where a specific maturity was suggested for any IL syndication in September, a new 2060 maturity was most often mentioned. No strong views were expressed about the precise maturity for any long conventional syndication in September.

Conventional auctions:

There was significant support for the launch and subsequent re-opening of a new 2017 maturity short-dated conventional gilt, though isolated calls were made for the re-opening of 4¾% 2015, 2% 2016 or 5% 2018, or the launch of a new 2019. Two re-openings of 3¾% 2021 were strongly recommended for medium-dated issuance. A variety of long-dated gilts were suggested, including re-opening the 2030, 2034, 2038, 2039, 2040, 2042 and 2046 maturities.

Index-linked auctions: A number of different gilts were recommended for re-opening ranging from the 2017 to 2050 maturities. There were also some calls for the launch of new gilts with a 2019 maturity or in the 30-year area.

The calendar of gilt issuance in July-September 2011 will be announced by the DMO at 3.30pm on Tuesday 31 May 2011.

The next consultation meetings to discuss gilt issuance in October-December 2011 will be held at the DMO's offices on Monday 22 August 2011.