

RECORD OF THE DMO CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE JULY-SEPTEMBER 2014 GILT MARKET OPERATIONS CALENDAR

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 19 May 2014. The meetings were primarily intended to inform the choice of gilt to be issued by syndication in June and at gilt auctions and a further syndicated offer in July-September 2014.

Eleven gilt auctions are scheduled in the second quarter of the 2014-15 financial year: seven of conventional gilts and four of index-linked gilts. In discussion, the following main points emerged:

GEMMs

Syndications:

For June, clear support was expressed for the launch of a new 30-year conventional gilt, with a 2045 maturity most often mentioned. Isolated calls were received for a re-opening of 3½% 2068.

All banks recommended an index-linked syndication in Q2, but a range of views was expressed on specific maturities. A new issue in the 25 to 35-year area was most widely supported, with the 30-year point most popular. Others suggested the launch of a new gilt in the 45 to 50-year maturity area or a reopening of IL 2068. On timing, views were mixed, with a July operation marginally favoured over September.

Conventional auctions:

Shorts (2):

There was widespread support for at least one auction of 1¾% 2019, with many favouring two auctions of this bond. A number of participants also felt comfortable with the launch of a new 5-year gilt (2020 maturity) during the quarter.

Mediums (2):

There was unanimity in recommending two re-openings of 2¾% 2024.

Longs (3):

A wide range of stocks with maturities from 2030 and longer were recommended. The most widely supported candidates for auction were 3½%

2068 and a re-opening (after an assumed launch by syndication in Q1) of a new 2045 maturity.

Index-linked auctions (4):

Again, a wide range of gilts was advocated, with the 2019, 2024, 2034, 2040 and 2052 maturities most often mentioned.

Investors

Syndications:

The majority of investors favoured the launch of a new 30-year (2045 maturity) in June, although there were some calls for a re-opening of 3½% 2068.

Support was also expressed for the launch of a new 30-year area maturity index-linked gilt in Q2, with some also recommending a new gilt in the 2055-2062 area. There was little support for a re-opening of IL 2068. Most investor representatives favoured July for the Q2 syndication.

Conventional auctions:

Shorts (2): Attendees generally favoured two re-openings of 1¾% 2019, but a number also thought that the launch of a new 5-year (2020 maturity) in Q2 was also a realistic option.

Mediums (2): All those investors expressing a particular view recommended two re-openings of 2¾% 2024.

Longs (3): A wide range of gilts were mentioned as auction candidates, with a re-opening of 3½% 2068 and a re-opening of a new 30-year (if launched by syndication in Q1) most often recommended.

Index-linked auctions (4): Again, a wide range of maturities was suggested, with re-openings of the 2019, 2024 and 2068 gilts most often mentioned.

Any other business

The calendar of gilt issuance in July-September 2014 will be announced by the DMO at 3.30pm on Friday 30 May 2014.

The next quarterly consultation meetings to discuss gilt issuance in October-December 2014 will be held at the DMO's offices on Monday 18 August 2014.