

RECORD OF THE DMO CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE OCTOBER-DECEMBER 2019 GILT MARKET OPERATIONS CALENDAR

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on Monday 19 August 2019. The meetings were primarily intended to inform the choice of gilts to be sold via auction and syndication in the third quarter of financial year 2019-20.

Ten gilt auctions are scheduled to be held in October-December 2019: seven 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 syndication in Q3 2019-20. Views were also sought on demand for (a) gilt tender(s) in the coming week(s) (see the separate announcement today) and in the period to end-December 2019. In discussion, the following main points emerged.

GEMMs

Syndication

A wide range of recommendations were received and, while many favoured an index-linked gilt transaction in Q3 2019-20, there were also a few calls for a long conventional gilt syndication, with others suggesting the choice over the type of bond be left open at this early stage. Of those recommending an index-linked transaction, a range of maturities was advocated including re-openings of IL 2041, IL 2048 and the launch of a new bond in the 10- to 20-year maturity area. A preference was expressed for the transaction to take place in November.

Conventional auctions (seven)

Short (two)

All GEMMs recommended two re-openings of 0½% 2025.

Medium (three)

There was almost unanimous support for three auctions of 0⅞% 2029 to take place in Q3 2019-20, with only an isolated call for an auction of 1¼% 2027.

Long (two)

Almost all attendees recommended a re-opening of 1¾% 2049 and a number supported two auctions of this gilt. A re-opening of 1¾% 2037 and the launch of a new 20- or 25-year gilt were also suggested. There were also one or two calls for a re-opening of 1¾% 2057.

Index-linked auctions (three)

All GEMMs recommended at least one re-opening of IL 2028 and there was also significant support for re-openings of IL 2036 and IL 2048. There were a few calls for an auction of IL 2041, alongside other recommendations for an auction of IL 2056 and for the launch of a new 15-year maturity gilt. In general, it was felt that the focus of demand for duration on the real curve was continuing to move shorter.

Gilt tender

A range of maturities was suggested with greatest support for issuance in the 20- to 30-year area of the conventional gilt curve.

Investors

Syndication

A range of views were expressed regarding the type of gilt to be sold in the next quarter (conventional or index-linked), with some attendees advising that the DMO should keep the choice of gilt type open at this stage. Where recommendations were made for an index-linked gilt syndication, IL 2041, IL 2048 or a new IL 2035 maturity were all mentioned. However, a number of recommendations were made for a conventional gilt syndication in the quarter. November was seen by most as the appropriate month in which to hold the transaction.

Conventional auctions (seven)

Short (two)

Where attendees expressed a view, two re-openings of 0 $\frac{5}{8}$ % 2025 were recommended.

Medium (three)

Three auctions of 0 $\frac{7}{8}$ % 2029 were advocated by those investors who expressed an opinion.

Long (two)

Here a number of maturities were suggested. 1 $\frac{3}{4}$ % 2049 was the most often recommended with some attendees advising that the gilt be re-opened twice. Other suggestions received included re-openings of 1 $\frac{3}{4}$ % 2037, 1 $\frac{3}{4}$ % 2057 and 1 $\frac{5}{8}$ % 2071.

Index-linked auctions (three)

A variety of maturities was suggested with IL 2028, IL 2036 and IL 2048 most often mentioned. There were also some calls for a new gilt to be issued in the 10- to 20-year maturity area.

Gilt tender

Of those investors who offered a view, issuance in the 20- to 30-year area of the conventional gilt curve was generally favoured.

Timetable

The DMO will announce details of the gilt operations calendar for October-December 2019 at 7.30am on Friday 30 August 2019.

The next consultation meetings to discuss gilt issuance in January-March 2020 are currently scheduled to be held at 3.30pm (end-investors) and 5.00pm (GEMMs) on Monday 18 November 2019 (subject to confirmation pending the Chancellor's decision on the timing of the Autumn Budget).