

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

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 24 March 2014. The meetings were primarily intended to inform the choice of gilts to be issued by auctions and syndication in April-June 2014.

The DMO anticipates holding one syndicated offering in the first quarter of the 2014-15 financial year. Ten gilt auctions are scheduled in the period: six of conventional gilts and four of index-linked gilts. In discussion, the following main points emerged:

GEMMs

Syndication: There was an almost unanimous preference for June as the month for the transaction and for the sale to be of a long conventional gilt. Views were generally divided on the maturity of the gilt to be sold between the launch of a new 2045 maturity and a re-opening of 3½% 2068.

Conventional auctions:

Shorts (2): There was unanimity of view, with all recommending two re-openings of 1¾% Treasury Gilt 2019.

Mediums (2): Unanimous support was also expressed for two re-openings of 2¾% Treasury Gilt 2024.

Longs (2): In addition to the re-opening of 3¼% 2044 already announced for 2 April, views on the maturity of the gilt to be sold at the second long auction in Q1 were divided between shorter-dated longs (2034 and 2039 maturities) and longer (2052, 2055 and 2068 maturities). Those recommending a syndication of 3½% 2068 generally preferred the shorter maturities and those recommending the launch of a new 30-year (2045 maturity) gilt by syndication generally preferred the longer maturities. Some noted, however, that a 15 May auction of a gilt in the 20-year maturity area could be consistent with the syndication of either a new 2045 or 3½% 2068 in the second half of June.

Index-linked auctions (4): A variety of gilts were recommended for re-opening, with the 2019, 2024, 2034, 2044 and 2052 maturities most often mentioned. There were also isolated calls for the launch of a new 20-year index-linked gilt.

Investors

Syndication: Clear support was expressed for a long conventional syndication to be held in the second half of June. There was, however, a similar division of views between those advocating a reopening of 3½% 2068 and those favouring the launch of a new 30-year (2045 maturity) gilt.

Conventional auctions:

Shorts (2): 1¾% Treasury Gilt 2019 was seen as the obvious choice for two re-openings in Q1.

Mediums (2): All investor attendees supported two re-openings of 2¾% 2024 in the coming quarter.

Longs (2): Issuance in the 20-year area (2034 or 2036 maturities) was widely supported for the second long conventional auction in Q1, regardless of the maturity of the gilt to be sold by syndication.

Index-linked auctions (4): A wide range of maturities ranging from 2019 to 2062 were mentioned, but a general preference was expressed for auctions of gilts away from the super-long end of the curve in Q1. The bonds most often mentioned for re-opening were the 2019, 2024, 2044 and 2052 maturities.

Any other business

Both meetings heard suggestions that 4¼% 2027 might be considered as a future candidate for sale by mini-tender.

The calendar of gilt issuance in April-June 2014 will be announced by the DMO at 3.30pm on Monday 31 March 2014.

The next quarterly consultation meetings to discuss gilt issuance in July-September 2014 will be held at the DMO's offices on Monday 19 May 2014.