

## **RECORD OF THE DMO CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE OCTOBER-DECEMBER 2017 GILT MARKET OPERATIONS CALENDAR**

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 21 August 2017. The meetings were primarily intended to inform the choice of gilts to be sold via auction and syndication in the third quarter of 2017-18.

Ten auctions are scheduled in October-December 2017: seven of conventional gilts and three of index-linked gilts. In addition to views on choices of gilts for issuance via auctions, feedback was sought on the choice of gilts for issuance via two syndications: a long conventional transaction in September and an index-linked transaction in the October-December period, as well as the timing of such operations. Views were also sought on demand for any gilt tenders in the remainder of 2017. In discussion, the following main points emerged.

### **A. GEMMs**

#### **Syndications:**

Q2: Feedback from the GEMMs on the September syndication had been received in advance of the meeting. It was noted that the DMO will publish, at 3.30pm on Tuesday 22 August 2017, further details regarding the choice of gilt to be sold via syndication and timing within the first half of September.

Q3: Most GEMMs recommended that a new 30-year maturity index-linked gilt be launched via syndication in November, although there were also a few calls for a re-opening of IL 2056 and one call for the launch of a new index-linked gilt maturing in 2043.

In terms of scheduling, some GEMMs expressed a preference for the index-linked gilt auction scheduled for 21 November to be moved earlier in November, with most suggesting the first full week of the month, to accommodate scheduling the syndication to coincide with the index event on 22 November 2017. It was acknowledged, however, that the DMO's remit only permits auctions to be moved into the preceding and following weeks to accommodate a syndication. In that context, it was felt that any transaction should be held as close as practicable to the index event on 22 November 2017.

### Conventional auctions:

Short (3 auctions): Three re-openings of 0¾% 2023 were almost unanimously recommended, with an isolated call for an auction of 3¾% 2021.

Medium (2 auctions): All GEMMs recommended two auctions of 1¼% 2027.

Long (2 auctions): Re-openings of 1¾% 2037 and 1½% 2047 were most often recommended, with a general preference for the former to be issued in October and the latter in December. There were also a number of calls for a re-opening of 1¾% 2057.

A couple of attendees suggested that more long supply via auction could be scheduled to meet anticipated seasonal and structural demand, either via a further long auction in addition to the existing calendar or for one of the short conventional auctions to be replaced with an additional long auction.

Index-linked (3 auctions): A wide range of index-linked gilts were recommended for re-opening with IL 2026 and IL 2036 most often mentioned, although there were also a number of calls for a re-opening of IL 2056 and a few calls for the launch of a new IL gilt maturing in 2028.

### Gilt tenders:

There was some discussion about the potential scheduling of a gilt tender, in particular to address any liquidity concerns, if required, in the medium conventional sector in the context of the upcoming Bank of England Asset Purchase Facility re-investment flows, with 2% 2025 cited as a possible candidate here. Any ongoing demand for longer maturity bonds might also be addressed by a tender operation.

## **B. Investors**

### Syndications:

Q2: Views on the maturity of the conventional gilt to be sold in September were divided between those recommending a re-opening of 2½% 2065 and others who advocated a modest extension to the yield curve (with 2070 and 2072 cited as preferred maturity years).

Q3: Attendees who expressed a view almost unanimously recommended the launch of a new 30-year area index-linked gilt via syndication in November. Given the auction re-scheduling constraints mentioned above, it was felt that any transaction should be held as close as practicable to the index event on 22 November 2017.

### Conventional auctions:

Short (3 auctions): A general preference was expressed for three re-openings of 0¾% 2023.

Medium (2 auctions): Most attendees recommended two auctions of 1¼% 2027, although there were isolated calls for the launch in November of a new gilt maturing in 2028.

Long (2 auctions): The gilts most often recommended for re-opening in Q3 were 1¾% 2037, 1½% 2047 and 1¾% 2057.

Index-linked (3 auctions): Those who expressed a preference generally favoured re-openings of IL 2026 and IL 2036 with a few calls for an auction of IL 2056.

### **Timetable**

The gilt operations calendar for October-December 2017 will be announced by the DMO at 7.30am on Thursday 31 August 2017.

The next quarterly consultation meetings to discuss gilt issuance in January-March 2018 are scheduled to be held at the DMO's offices on Monday 27 November 2017 (subject to confirmation depending on the Chancellor's decision on the Budgetary timetable).