

# **RECORD OF THE DMO CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE JULY-SEPTEMBER 2016 GILT MARKET OPERATIONS CALENDAR**

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 23 May 2016. The meetings were primarily intended to inform the choice of gilts to be sold via auction, syndication and gilt tender in the second quarter of 2016-17.

Eleven gilt auctions are scheduled in July-September 2016: eight of conventional gilts and three of index-linked gilts. In addition to views on choice of gilts for issuance via auctions, views were sought on the choice of gilts for issuance via syndication and gilt tender and the timing of any such operations. In discussion, the following main points emerged:

## **A. GEMMs**

### Syndication:

There was a general recommendation for a single syndication and a preference for a re-opening of 0½% Index linked Treasury Gilt 2065. There was one call for two transactions.

There were mixed views on timing. While a small majority recommended holding the transaction in September, citing in particular a preference for certainty over scheduling, some proposed holding a syndication in July to spread out large supply events more evenly across the calendar. There was, however, a recognition that gilt tenders could be used to address potential supply requirements early in the quarter if, for example, only one syndication was to be scheduled for September.

### Conventional auctions:

#### Short (three):

All GEMMs recommended that a new 5-year gilt be issued in the coming quarter (with calls for a January or June/July 2022 maturity) and many recommended that any new gilt should be auctioned twice with a few calls for it to be auctioned three times. There were, however, numerous suggestions for a further auction of 1½% Treasury Gilt 2021 early in the quarter and some calls for two auctions of that gilt.

#### Medium (two):

There was unanimous backing for two auctions of 1½% Treasury Gilt 2026, alongside some mentions of 4¼% Treasury Gilt 2027 as a potential gilt tender candidate.

#### Long (three):

There was significant support for the launch of a new 30-year gilt by auction and a few calls for any new gilt to be auctioned twice. Eleven different long conventional gilts were proposed for re-opening, with the 2039, 2040, 2045, 2046, 2049, 2055 and 2065 maturities most often mentioned.

#### Index-linked auctions (three):

Auctions of the 2026 and 2036 maturities were widely proposed, with the 2046 and 2058 maturities next most often mentioned.

### **B. Investors**

#### Syndication:

There was a general preference for one syndication in Q2, with 0½% Index-linked Treasury Gilt 2065 the favoured gilt.

Views on timing were mixed with some attendees preferring July, citing supportive redemption flows from 2½% Index-linked Treasury Stock 2016. Others had a preference for a transaction later in the quarter. Some mentioned the role of gilt tenders to address supply requirements more flexibly during the quarter.

#### Conventional auctions:

##### Short (three):

There was widespread support for the launch of a new 5-year gilt, with either a January or July 2022 maturity suggested. Some attendees suggested that the short auction scheduled for 5 July could be used for a re-opening of 1½% Treasury Gilt 2021 before launching a new gilt later in the quarter.

##### Medium (two):

There was strong backing for two auctions of 1½% Treasury Gilt 2026, but there were also isolated calls for a re-opening of 4¼% Treasury Gilt 2027, either by auction or by gilt tender.

##### Long (three):

There was a clear recommendation for issuance in the 30-year area, including some calls for the launch of a new 30-year maturity gilt. Other gilts suggested for re-opening were the 2036, 2038, 2039, 2045, 2055, 2060, 2065 and 2068 maturities.

Index-linked auctions (three):

The gilts most often recommended for re-opening by auction were those maturing in 2026, 2036 and 2046.

**Any other business**

The calendar of gilt issuance in July-September 2016 will be announced by the DMO at 3.30pm on Tuesday 31 May 2016.

The next quarterly consultation meetings to discuss gilt issuance in October-December 2016 are scheduled to be held at the DMO's offices on Monday 22 August 2016.