

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

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 18 March 2019. The meetings were primarily intended to inform the choice of gilts to be sold via auction and syndication in the first quarter of the financial year 2019-20.

Nine gilt auctions are scheduled in April-June 2019: seven of conventional gilts and two 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 maturity of the gilt planned to be sold via syndication in Q1 2019-20, as well as the timing of that transaction. Views were also sought on demand for any gilt tenders in the period ahead. In discussion, the following main points emerged.

GEMMs

Syndication

There was a broad consensus that a syndicated long conventional transaction should take place in May; however there were mixed views on the maturity of the gilt to be sold. The most frequently recommended gilts were 1 $\frac{5}{8}$ % 2071 and 1 $\frac{3}{4}$ % 2057; although there were also a number of calls for the launch of a new 40-year maturity, with a few attendees calling for a new 2054 maturity, and one for a new 20-year maturity. A few GEMMs suggested, however, that the precise maturity of the gilt to be sold could be specified later, with the general preferred maturity area indicated in the Q1 2019-20 calendar announcement on 22 March 2019.

Conventional auctions (seven)

Short (three)

Almost all GEMMs recommended three re-openings of 1% 2024, with only isolated calls for an auction of 2% 2025.

Medium (two)

A preference was expressed by the majority of attendees for a final auction of 1 $\frac{5}{8}$ % 2028 in April, followed by a new October 2029 maturity to be launched in June. A few attendees recommended two auctions of a new 10-year gilt, with some for two auctions of 1 $\frac{5}{8}$ % 2028 and one request for an auction of 4 $\frac{1}{4}$ % 2027.

Long (two)

The most frequently recommended long conventional gilts for auction were 1 $\frac{3}{4}$ % 2037 and 1 $\frac{3}{4}$ % 2049 with a few calls for the latter to be re-opened twice. There were also isolated suggestions for an auction of 1 $\frac{3}{4}$ % 2057.

Index-linked auctions (two)

IL 2028 and IL 2048 were the most frequently recommended maturities for re-opening, along with a number of other calls for IL 2036 and IL 2041. There was one suggestion for an auction of IL 2056.

Gilt tenders

Some attendees noted the potential for an index-linked gilt tender to be held in April, with scope for a conventional gilt tender also mentioned.

Investors

Syndication

Amongst attendees that expressed a view, a range of different maturities were suggested for the gilt to be syndicated in Q1 2019-20. These ranged from a new 2041 maturity to a re-opening of 1½% 2071. A fairly common theme expressed was that the focus of demand has moved shorter down the curve from the 50-year area to the 25- to 35-year area. Attendees that expressed a view preferred the transaction to take place in May. A number of attendees also suggested that the DMO need not be specific at this stage about the maturity of the gilt to be sold in this week's Q1 calendar announcement.

Conventional auctions (seven)

Short (three)

Where expressed, views were broadly split between those advocating three auctions of 1% 2024 and those who suggested that other bonds be considered for the third short auction, including a re-opening of 2¼% 2023, 2% 2025 or the launch of a new longer than 5-year maturity.

Medium (two)

Where views were expressed, opinion was generally divided between those recommending two re-openings of 1½% 2028 and those favouring the launch and re-opening of a new 2029 maturity gilt. There was one suggestion for a further auction of 1½% 2028 followed by the launch of a new 2029 maturity.

Long (two)

1¾% 2049 and 1¾% 2037 were the most often recommended candidates for re-opening by those who expressed a view, with other recommendations including 1¾% 2057 and the launch of a new 2041 maturity.

Index-linked auctions (two)

A number of maturities were suggested for re-opening, including IL 2028, IL 2041, IL 2048 and IL 2058. There were also some calls for the launch of a new 10-year or 15-year maturity.

Gilt tenders

One attendee noted the potential for an index-linked gilt tender to be held in April.

Timetable

The DMO will announce details of the gilt operations calendar for April-June 2019 at 7.30am on Friday 22 March 2019.

The next consultation meetings to discuss gilt issuance in July-September 2019 are currently scheduled to be held at 3.30pm (end-investors) and 5.00pm (GEMMs) on Monday 20 May 2019 (subject to confirmation).