

RECORD OF THE CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE JULY-SEPTEMBER 2013 GILT MARKET OPERATIONS CALENDAR

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 20 May 2013. The meetings were primarily intended to inform the choice of gilts to be issued by auctions and syndications in July-September 2013.

The DMO anticipates holding at least one syndicated offering in the second quarter of the 2013-14 financial year. Eleven gilt auctions are scheduled in the period: seven of conventional gilts and four of index-linked gilts. The DMO plans that conventional issuance via auctions will be split as follows: two short, two medium and three long. In discussion, the following main points emerged:

GEMMs

Syndication: Views were mixed about whether there should be one or two syndications in the quarter (in July and September). Those recommending one operation marginally favoured July over September. There was a general consensus, however, that the syndication programme in Q2 be focused on index-linked issuance, with only isolated calls for a conventional syndication. Most recommendations for a July sale were for a re-opening of existing 30- or 40- year maturities, but there were also some calls for a new bond in the 50-60 year area in July. All those recommending an index-linked syndication in September advocated a new bond in the 50-60 year area. However, some others felt that the launch of a new super-long index-linked gilt might wait until October.

Conventional auctions:

Shorts: There was almost unanimous support for two re-openings of 1¼% 2018 in this quarter to build up liquidity in the bond.

Mediums: Here too, there was a clear consensus supporting two re-openings in Q2 of the new September 2023 gilt (which will be launched on 11 June).

Longs: The 3¼% 2044 gilt was widely advocated for re-opening, with a number of GEMMs suggesting it be re-opened twice in the quarter; while other popular candidates for auction stocks included the 2030, 2034, 2036 and 2052 maturities. There were also isolated suggestions for a re-opening by auction of the new 50-60 year gilt, expected to be launched by syndication in June.

Index-linked auctions:

A wide range of index-linked gilts was suggested for re-opening with the 2024, 2029, 2034, 2044 and 2052 maturities the most often mentioned. There were also isolated calls for the launch of a new 5-year maturity index-linked gilt.

Investors

Syndication: Where a view was expressed, it was felt that the conventional syndication in June should represent a significant extension to the curve, with 2068 and 2070 maturities most often mentioned. Here too, it was felt that the syndication programme in Q2 should focus on index-linked supply. Investors generally advised that the launch of any new super-long index-linked gilt should be given sufficient lead time, and that late September or even October might be most appropriate. Where mentioned, it was suggested that any super-long linker should have a maturity in the 55- to 60-year area. Other index-linked bonds mentioned as candidates for sale via syndication in the coming quarter were the 2044, 2052 or 2062 maturities.

Conventional auctions:

Shorts: There was a unanimous preference for two re-openings of 1¼% 2018.

Mediums: Investors were also unanimous in proposing two re-openings of the new September 2023.

Longs: One or even two re-openings of 3¼% 2044 were widely recommended as the focus of the long programme, with the next most often mentioned gilt being 3¾% 2052. Other bonds suggested for auctions included the 2030, 2034, 2038 and 2039 maturities.

Index-linked auctions: Again, a wide range of bonds was mentioned, including re-openings of the 2024, 2029, 2034, 2052 and 2062 maturities. There were also a number of calls for the launch of a new short-dated index-linked gilt maturing in 2018 or 2019.

Any other business

The calendar of gilt issuance in July-September 2013 will be announced by the DMO at 3.30pm on Friday 31 May 2013.

The next consultation meetings to discuss gilt issuance in October-December 2013 will be held at the DMO's offices on Monday 19 August 2013.