

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

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 18 August 2014. The meetings were primarily intended to inform the choice of gilts to be sold via auction and at a syndicated gilt offer in the third quarter of the financial year.

Ten gilt auctions are scheduled in the October-December 2014 period: six of conventional gilts and four of index-linked gilts. In discussion, the following main points emerged:

GEMMs

Syndication:

There was a clear preference for a long conventional syndication in Q3, but views were divided between those advocating a re-opening of 3½% 2045 and those favouring 3½% 2068; those recommending the 2068 maturity for sale via syndication tended to prefer the 2045 maturity to be issued via auction, and vice versa. Views regarding the scheduling of the sale were also divided between October, to capture current demand for duration and avoid the period during which it was expected that the Autumn Statement may take place, and November, to take advantage of potential coupon re-investment and avoid holiday periods.

Conventional auctions:

Shorts (2):

Attendees unanimously recommended two re-openings of the new 5-year gilt (22 July 2020 maturity), which is to be launched on 2 September 2014.

Mediums (2):

Virtually all representatives recommended two re-openings of 2¾% 2024, although there were isolated calls for a re-opening of 4¼% 2027 to bolster the basket of futures deliverable gilts.

Longs (2):

Views were split between calls for issuance in the 15 to 20-year, 30-year and ultra-long areas of the curve, with issuance in the 30-year or ultra-long areas seen as being deliverable via either auction or syndication.

Index-linked auctions (4):

Calls were received for issuance along the curve with the 2019, 2024, 2034, 2042, 2044 and 2058 maturities most often mentioned. There were also isolated calls for the launch of new 20 and 25-year maturities, via auction.

Investors

Syndication:

Most attendees favoured a long conventional sale in Q3 (either the 2045 or 2068 maturities), but there were also some calls for a long-dated index-linked transaction. Timing preferences were again split between October and November, for similar reasons to those cited by the GEMMs.

Conventional auctions:

Shorts (2):

All attendees that commented recommended two auctions of the new 22 July 2020 maturity gilt.

Mediums (2):

Similarly all attendees that commented preferred two re-openings of 2¾% 2024.

Longs (2): The 2045 and 2068 maturities were most often recommended for issuance via auction, although there were a few calls for a re-opening of gilts in the 20 to 25-year area.

Index-linked auctions (4): A wide range of maturities was suggested, with re-openings of the 2024 most often mentioned, alongside longer maturities in the 20 to 30-year and ultra-long (2058-2068) areas. There were some calls for the 2019 maturity, but others noted the forthcoming index-shift in this bond.

Any other business

The calendar of gilt issuance in October-December 2014 will be announced by the DMO at 3.30pm on Friday 29 August 2014.

The next quarterly consultation meetings to discuss gilt issuance in January-March 2015 are scheduled to be held at the DMO's offices on Monday 24 November 2014 (subject to the Chancellor's decision on the budgetary timetable).