

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

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 22 August 2016. The meetings were primarily intended to inform the choice of gilts to be sold via auction, syndication and gilt tender in the third quarter of 2016-17.

Eleven gilt auctions are scheduled in October-December 2016: nine of conventional gilts and two 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 syndications and gilt tenders, and the timing of any such operations. In discussion, the following main points emerged:

## **A. GEMMs**

### Syndications:

There was unanimous support for syndications to be scheduled in October and November, with a very strong preference for a long conventional transaction in October and an index-linked transaction in November.

In terms of maturities, a re-opening of 2½% 2065 was the most widely preferred gilt for the October transaction, but there were some calls for a re-opening of the new conventional gilt maturing on 22 July 2047 (to be launched on 20 September) and isolated calls for the launch of a new gilt maturing in 2058 or 2070. For the index-linked transaction, the most popular choice at this stage was a re-opening of IL 2065, with IL 2046 the second most cited gilt; there were also isolated calls for the launch of a new index-linked gilt in the 30- to 40-year maturity area. Some GEMMs commented that it was too early to be specific about the maturity at this stage.

### Conventional auctions:

#### Short (three):

Three re-openings of 0½% 2022 were unanimously preferred.

#### Medium (three):

Virtually all GEMMs supported two re-openings of 1½% 2026, with a majority recommending three auctions of that gilt. A re-opening of 4¼% 2027 also received some support. Other medium maturities recommended were re-openings of 2% 2025, 5% 2025 and there was one call for the launch of a new July 2027 maturity.

### Long (three):

There was very strong support for two re-openings of the new July 2047 maturity, with some attendees suggesting it should be launched (and re-opened) via auction in sizes larger than the prevailing average size for long conventional auctions. Other maturities recommended for re-opening included gilts in the 20-year area (with the 2032, 2034, 2036 and 2038 maturities all mentioned) and some longer maturities, including 2½% 2065. There was also an isolated call for the launch of a new current coupon 20-year gilt.

### Index-linked auctions (two):

Re-openings of IL 2026 and IL 2036 were the most widely recommended, with others calling for re-openings of IL 2040, IL 2046, IL 2047, IL 2052 and IL 2058, as well as a suggestion for the launch of a new 5-year index-linked gilt.

### Gilt tenders:

A number of gilts were suggested for possible sale via gilt tenders in the period ahead, including 2% 2025, 5% 2025 or 4¼% 2027 in late September. Some attendees also pointed to possible index-linked issuance via gilt tender in December, given the absence of an index-linked gilt auction in that month.

## **B. Investors**

### Syndications:

Attendees generally favoured a conventional syndication in October, to be followed by an index-linked transaction in November. Where a view was expressed on the maturities of gilts to be issued at these transactions, a re-opening of 2½% 2065 was most often mentioned, with isolated calls for a new current coupon 40-year issue or a gilt that extended the nominal curve to 2071 or 2072. Views on the maturity for issuance at an index-linked transaction in November were broadly split between the 30-year and 40-year areas.

### Conventional auctions:

#### Short (three):

Three re-openings of 0½% 2022 were strongly supported.

#### Medium (three):

Attendees generally favoured two re-openings of 1½% 2026 followed by an auction of 4¼% 2027 in December, timed to coincide with the futures contract calendar roll.

Long (three):

Re-openings of the new July 2047 maturity were most widely supported, but there were a small number of calls for the launch of a new current coupon 20-year maturity. There was a solitary call for an ultra-long (4% 2060) auction.

Index-linked auctions (two):

A number of gilts were recommended for re-opening, including IL 2024, IL 2026, IL 2036, IL 2040 and IL 2058 amongst the most frequently mentioned.

**Any other business**

The calendar of gilt issuance in October-December 2016 will be announced by the DMO at 3.30pm on Wednesday 31 August 2016.

The next quarterly consultation meetings to discuss gilt issuance in January-March 2017 are scheduled to be held at the DMO's offices on Monday 21 November 2016, subject to confirmation dependent on the Chancellor's decision on the budgetary timetable.