

RECORD OF THE DMO CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE JANUARY-MARCH 2015 GILT MARKET OPERATIONS CALENDAR

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 8 December 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 final quarter of the financial year.

Ten gilt auctions are scheduled in January-March 2015: seven of conventional gilts and three of index-linked gilts. In addition, an index-linked syndication is planned. In discussion, the following main points emerged:

GEMMs

Syndication:

There was a large majority in favour of holding the index-linked syndication in January. A re-opening of IL 2058 was strongly recommended, but there were also some calls for a new 30-year (2046 maturity) to be launched by syndication.

Conventional auctions: Shorts (2):

There was very strong support for two re-openings of the new 5-year benchmark, 2% 2020.

Mediums (2):

Almost all attendees recommended at least one re-opening of the current 10-year benchmark - 2¾% 2024 - with a number of calls for two auctions of that bond. A few attendees also called for a re-opening of 4¼% 2027. There was, however, generally strong support for the launch of a new 10-year gilt in Q4, but views were mixed on the desired maturity date - March, July and September 2025 and March 2026 were all mentioned.

Longs (3):

A wide range of individual maturities were suggested, but the consensus was focussed on re-openings of the 30-year benchmark, with many GEMMs advocating two auctions, and the ultra-long 2068 maturity, with some comment here on the need to replace the duration lost by the upcoming redemption of 3½% War Loan. There were also calls for some supply in the 15-25 year area, including perhaps the launch of a new 20-year maturity gilt by auction.

Index-linked auctions (3):

There was support for issuance along the curve from 5 to 50 years. The bonds most often cited were the 2019, 2024, 2029, 2037, 2044 and 2068 maturities. There was a call for the launch of a new 2036 maturity by auction.

Investors

Syndication:

Most attendees who expressed an opinion favoured holding the transaction in January, but views were mixed as to the preferred maturity. Some suggested re-openings of the 2058 or 2068 maturities, while others noted the current strength of demand in the 30-year area and suggested that the DMO issue a new gilt into that part of the curve, either a 2045 or 2046 maturity.

Conventional auctions: Shorts (2):

Two re-openings of the 5-year benchmark, 2% 2020, were strongly recommended.

Mediums (2):

All attendees supported at least one re-opening of the 10-year benchmark, with a number advocating two auctions, but others recommended the launch of a new 10-year gilt. A number of redemption dates were suggested for such a bond, including July and September 2025 and January 2026.

Longs (3):

A number of maturities were advocated, including re-openings of the 2045 and 2068 maturities. Some attendees, however, pointed to demand in the 20-year area with a re-opening of the 2034 maturity most often suggested here.

Index-linked auctions (3):

A number of gilts were suggested for re-opening, with a general approach of issuing along the curve recommended by some. The current strength of demand in the 20-35 year area was cited by a number of attendees.

Any other business

The calendar of gilt issuance in January-March 2015 will be announced by the DMO at 3.30pm on Friday 12 December 2014.

The next quarterly consultation meetings to discuss gilt issuance in April-June 2015 are scheduled to be held at the DMO's offices on Monday 23 March 2015, (subject to the Chancellor's decision on the budgetary timetable).