

## **RECORD OF QUARTERLY MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE OCTOBER-DECEMBER 2005 GILT ISSUANCE ANNOUNCEMENT**

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 26 September 2005. The meetings were primarily intended to inform the choice of gilts to be issued in the next quarter.

Five gilt auctions are scheduled in October-December 2005: three conventional gilt auctions on 13 October, 8 November and 6 December and two index-linked gilt auctions on 25 October and 24 November. **The issuance calendar for October-December 2005 will be announced by the DMO at 3.30pm on Friday 30 September 2005.** In discussion, the following main points emerged:

**All GEMMs:** Views were divided about the option of holding two long conventional gilt auctions in the quarter (plus a short) or one auction each of short, medium and long gilts. There was a strong call for 4¼% 2055 to be reopened in the quarter, with December the most favoured date. Those that recommended a second long cited seasonal demand and suggested various candidate gilts, new and existing, with maturities ranging from 2023 to 2040. A majority of GEMMs favoured the introduction of a new 5-year (a March 2011 maturity) during the quarter, but there were no strong views on the preferred auction date. There were, however, also some suggestions for the reopening of 4¾% 2010 or 5% 2008. Of those recommending a medium gilt auction, some favoured the opening of a new 2016 gilt, but there were also calls for 4¾% 2015, 8% 2015 or 4¾% 2020 to be re-opened. There were no strong views on the scheduling of medium issuance.

**IL GEMMs:** Virtually all recommended a re-opening of 1¼% IL 2055 in this quarter, but views were split as to whether or not October might be too soon to re-open this gilt. For the other auction, all existing 8-month lag gilts between 2011 and 2035 were mentioned at least once, along with isolated calls for the launch of a second 3-month lag index-linked gilt.

### **End investors**

Conventional: Most investors favoured one auction each of short, medium and long gilts – but here too there were some calls for two long auctions with regard to the current ongoing demand for duration. There was strong demand for a reopening of 4¼% 2055, although views on the preferred auction date were mixed. Those recommending two long gilt auctions suggested an issue in the 30-40 year area of the curve for the second long auction and for the third conventional auction to be of a short gilt. A new 2011 gilt was seen as the favoured candidate for short issuance and, of those that expressed an opinion, a new 2016 gilt was the preferred choice for the medium gilt auction. There were no strong views on scheduling.

Index-linked: All advised a re-opening of 1¼% IL 2055 in the quarter. Again, views were fairly evenly divided between October and November as the preferred auction date. Most recommended a gilt in the 20-30 year maturity range for the second auction, although the launch of a new 40-year was also suggested by a couple of attendees.

**The next quarterly consultation meetings will be held on Monday 12 December 2005 4.00pm (Investors) and 5.00pm (GEMMs and IL GEMMs).**