

# **RECORD OF THE DMO CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE OCTOBER-DECEMBER 2013 GILT MARKET OPERATIONS CALENDAR**

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 19 August 2013. The meetings were primarily intended to inform the choice of gilts to be issued by auctions and syndications in October-December 2013, though the maturity of the long-dated index-linked gilt scheduled to be syndicated in the second half of September 2013 was also discussed.

The DMO anticipates holding at least one syndicated offering in the third quarter of the 2013-14 financial year. Ten gilt auctions are scheduled in the period: seven of conventional gilts and three of index-linked gilts. In discussion, the following main points emerged:

## **GEMMs**

### **Syndications:**

For the September syndication, a 2068 maturity was widely recommended, although a number of GEMMs thought that the maturity of an index-linked super-long gilt need not necessarily match that of the super-long conventional gilt.

There was a clear preference for a single syndication to be held in the third quarter with views for timing broadly divided between October and November. A re-opening of 3½% 2068 was the overwhelming preference, with only isolated calls for a re-opening of IL 2052 and one call for a super-long index-linked gilt. There was also some discussion about re-ordering the proposed maturity schedule for conventional auctions, subject to decisions on syndication timing, in order to spread out issuance by maturity band more evenly.

### **Conventional auctions:**

Shorts (3): There was unanimous support for a re-opening of 1¼% 2018 and a number of calls for two re-openings of that bond. A range of other maturities were also suggested for re-opening, with 1¾% 2017 and 3¾% 2019 the most often mentioned. There was also some support for the launch of a new 5-year gilt, with suggested maturity dates between December 2018 and July 2019.

Mediums (2): There was unanimous support for two re-openings of 2¼% 2023 as the gilt being established as the new 10-year benchmark.

Longs (2): There was unanimous support for at least one re-opening of 3¼% 2044 and a few calls for it to be re-opened twice. The 2036, 2039 and

2052 maturities were the other bonds most widely recommended for re-opening.

Index-linked auctions (3): There was very strong support for a re-opening of the new 2019 maturity, being launched on 20 August, and also for a re-opening of IL 2052. A range of other maturities were suggested as auction candidates, with the 2024, 2029 2034 and 2047 maturities most frequently mentioned.

## **Investors**

### **Syndications:**

Where specific views were expressed regarding the September index-linked sale, recommendations ranged from a re-opening of IL 2062 to the launch of a new 2068 or 2073 maturity. There was widespread support amongst investors for a re-opening of the conventional 3½% 2068 in the third quarter, with most favouring a sale in the second half of October, given a perceived gap in long-dated supply around that time.

### **Conventional auctions:**

Shorts (3): Most attendees supported at least one re-opening of 1¼% 2018; there were also calls for a re-opening of 3¾% 2019 and for the launch of a new (January or July) 2019 maturity. There was one request for a re-opening of 1¾% 2017.

Mediums (2): Unanimous support was expressed for two re-openings of 2¼% 2023.

Longs (2): There were widespread calls for at least one re-opening of 3¼% 2044, with other recommendations for auction including the 2034, 2036 and 2039 maturities.

Index-linked auctions (3): Where specific views were expressed, a range of bonds were recommended for re-opening, including the 2019, 2024, 2034, 2040, 2042, 2047 and 2052 maturities.

## **Any other business**

The calendar of gilt issuance in October-December 2013 will be announced by the DMO at 3.30pm on Friday 30 August 2013.

The next consultation meetings to discuss gilt issuance in January-March 2014 will be held at the DMO's offices on Monday 25 November 2013 (subject to confirmation depending on the Budgetary timetable).