

RECORD OF THE CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE JANUARY- MARCH 2013 GILT MARKET OPERATIONS CALENDAR

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 10 December 2012. The meetings were primarily intended to inform the choice of gilts to be issued by auctions and syndications in January - March 2013.

The DMO anticipates holding two syndicated offerings in the final quarter of the financial year. Ten gilt auctions are scheduled in the period: seven of conventional gilts and three of index-linked gilts. The DMO plans that conventional issuance via auctions will be split as follows: three short, two medium and two long. In discussion, the following main points emerged:

A) GEMMs

Syndications: There was a clearly expressed preference for a re-opening of the 3¼% 2044 conventional gilt in the second half of January and a re-opening of 0¼% Index-linked Gilt 2052 in February.

Conventional auctions:

Shorts: Strong support was expressed for the launch and re-opening of a new 2018 maturity in Q4 2012-13, although most suggested that the new bond should not be launched as early as 3 January. A number of maturity months for the new bond were mentioned - from January to September 2018. 1% 2017 and 1¾% 2017 were most often mentioned as the choice for the first auction in Q4, although there were calls for a re-opening of 2% 2016 or 3¾% 2019.

Mediums: 1¾% 2022 was widely supported for re-opening in Q4 2012-13, with several GEMMs advocating two re-openings of this bond. Other bonds recommended for auction included 4% 2022, 5% 2025, or the launch of a new 2023 maturity (to become the next 10-year benchmark).

Longs: A clear preference for a shorter-dated long (the 2030, 2032 or 2034 maturities) was expressed for the January date, with a longer-dated bond preferred for the March auction (the most often mentioned bonds here were the 2044, 2052 and 2060 maturities).

Index-linked auctions: A number of maturities were recommended, with the most favoured being IL 2024 (there were some calls for this bond to be re-opened twice), IL 2029, IL 2044 and IL 2062. There was a general preference for shorter-dated bonds to be auctioned earlier in the quarter.

B) Investors

Syndications: Feedback received was strongly supportive of a re-opening of 3¼% 2044 in January and for 0¼% Index-linked 2052 In February.

Conventional auctions:

Shorts: Support was expressed for the launch, and re-opening, in the quarter of a new September 2018 maturity gilt, but here too, some cautioned against a launch in January. 1% 2017 and 3¾% 2019 were mentioned as potential candidates for the other short auction.

Mediums: Where respondents were specific, re-openings of 1¾% 2022 and 4% 2022 were mentioned.

Longs: A number of bonds were mentioned as auction candidates – the 2030, 2032, 2044 and 2060 maturities – with the shorter maturities preferred for the January slot.

Index-linked auctions: A preference was expressed by a number of investors that, in terms of risk mitigation, it might be advisable to focus on shorter-dated maturities earlier in the quarter (pending the outcome of the RPI consultation). Where specific maturities were mentioned the 2024, 2029 and 2040 bonds were the most frequently cited.

Any other business

The calendar of gilt issuance in January-March 2013 will be announced by the DMO at 3.30pm on Friday 14 December 2012.

The next consultation meetings to discuss gilt issuance in April-June 2013 will be held at the DMO's offices on Monday 18 March 2013, subject to confirmation pending the Chancellor's decision on the Budgetary timetable.