

RECORD OF THE DMO CONSULTATIONS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE JANUARY TO MARCH 2025 GILT OPERATIONS CALENDAR

The DMO held consultations with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on Monday 11 November 2024 in hybrid form, with some participants attending at the DMO's offices and others joining via conference/video call.

The consultations were primarily intended to inform the choice of gilts to be sold via auction and syndication in the fourth quarter of financial year 2024-25.

The DMO set out a schedule of 20 gilt auction dates (16 for conventional gilts and four for index-linked gilts) in the January to March 2025 period, together with a proposed maturity split for conventional gilt auctions. The DMO also plans to schedule three gilt syndications in the coming quarter (one each of medium conventional, long conventional and index-linked gilts), subject to demand and market conditions.

In discussion, the following main points emerged.

GEMMs

Medium conventional gilt syndication

There was unanimous support for the launch of a new 10-year gilt to mature in 2035, with respondents suggesting January, March, April or June for the month in which the new gilt should mature.

Long conventional gilt syndication

There was support for the launch of a new 2045 maturity gilt, with some calls for a re-opening of 4³/₈% 2040, which will become a medium maturity gilt in February 2025. There were also isolated proposals for the launch of new long conventional gilts maturing in 2041, 2044 or 2048.

Index-linked gilt syndication

The launch of a new index-linked gilt maturing in 2043 was the most frequently recommended by attendees. A number of participants favoured the launch of a new IL 2049 with a few GEMMs being indifferent between the two maturities. There were also isolated calls for the re-opening via syndication of a new index-linked gilt maturing in 2038 and for an index-linked gilt maturing in either 2059 or 2060.

Conventional auctions (16)

Short (seven)

Attendees expressed strong support for up to three re-openings of 4³/₈% 2028, and for the launch and up to two re-openings of a new 5-year maturity gilt. One re-opening of 4% 2031 was also advocated strongly, with a few calls for two re-openings of this gilt.

Medium (four)

Unanimous support was expressed for a re-opening of 0⁷/₈% Green Gilt 2033 with very strong support for a re-opening of 4¹/₄% 2034. Most participants also recommended a re-opening of

4³/₈% 2040 following the gilt moving into the medium maturity sector in February 2025. There was also significant support for re-opening a new 10-year maturity gilt, which could be launched via syndication in Q4 2024-25, and a few isolated calls for other medium maturity gilts.

Long (five)

The three long conventional gilts most often recommended for re-opening were 1¹/₂% Green Gilt 2053, 4³/₈% 2054 (with many attendees calling for two re-openings of this gilt), and 4% 2063. Some support was also expressed for re-openings of 4³/₈% 2040 (prior to the gilt moving into the medium maturity sector in February 2025), 4³/₄% 2043 and a re-opening of the long maturity gilt to be issued by syndication in the quarter.

Index-linked auctions (four)

There was clear support for the launch and a re-opening of a new 10-year index-linked gilt, and a re-opening of IL 2073. There were also calls for re-opening IL 2045, IL 2054 and IL 2056, with a few suggestions for a re-opening of IL 2039 and an isolated call for a re-opening of IL 2033.

Gilt tenders

A few attendees expressed an interest in issuance via gilt tender in the coming quarter with gilts across all maturity sectors suggested as potential candidates.

Gilt investors

Medium conventional gilt syndication

Those investors who expressed a preference were supportive of the launch of a new conventional gilt maturing in 2035, with January, March, April or June proposed as potential months in which the gilt could mature.

Long conventional gilt syndication

Amongst those attendees who advocated for the launch of a new gilt, some supported issuance in the 20-year area with some others preferring the 15-year area of the curve. A number advocated for a re-opening of 4³/₈% 2040 prior to the gilt transitioning into the medium maturity sector in February 2025. There were also isolated calls for other maturities including 2044, 2045, 2048 and 2049.

Index-linked gilt syndication

Most attendees who made recommendations preferred the launch of a new index-linked gilt maturing in either 2043 or 2049, with only isolated calls for other maturities, including a new 15-year maturity index-linked gilt.

Conventional auctions (16)

Short (seven)

The majority of participants who expressed an opinion called for up to three re-openings of 4³/₈% 2028 as well as the launch and up to two re-openings of a new five year gilt. Support

was also expressed by a few attendees for one or more re-openings of 4¾% 2030 and 4% 2031, with only isolated calls for re-openings of other gilts.

Medium (four)

Most attendees who provided opinions supported re-openings of 0⅞% Green Gilt 2033, 4¼% 2034, a new 10-year gilt, which could be launched via syndication in the quarter and 4⅜% 2040 following transition into the medium maturity sector.

Long (five)

The majority of investors who provided their opinion supported up to two re-openings of 4⅜% 2054 along with one re-opening each of 4¾% 2043 and 1½% Green Gilt 2053. Support was also expressed for re-openings of 4⅜% 2040 (prior to transition into the medium maturity sector) and 4% 2063, along with some recommendations from those advocating the launch of a new 20-year gilt by syndication for the new gilt to be re-opened via auction in the quarter. There were also isolated calls for issuance of 0½% 2061 and 1⅞% 2073.

Index-linked auctions (four)

Strong support was provided by those who offered a view for at least one re-opening of the new 10-year index-linked gilt to be launched via auction in Q4 2024-25. Other index-linked gilts suggested for re-opening included IL 2034, IL 2037, IL 2039, IL 2046, IL 2050 and IL 2073 with support also expressed for a re-opening of the index-linked gilt to be launched via syndication in Q4 2024-25.

Gilt tenders

Interest was expressed by a number of attendees in the scheduling of gilt tenders in Q4 2024-25, with a range of gilts suggested across the conventional gilt maturity spectrum.

Timetable

The DMO will announce the details of the gilt operations calendar for January to March 2025 at 7.30am on Friday 15 November 2024.

The next consultations to discuss gilt issuance in the period April to June 2025 are currently scheduled for 3.30pm (gilt market investors) and 5.00pm (GEMMs) on Monday 17 March 2025¹.

¹ Subject to confirmation pending any decision by the Chancellor on the timing of fiscal events.