

## **RECORD OF THE DMO CONSULTATIONS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE JULY TO SEPTEMBER 2022 GILT OPERATIONS CALENDAR**

The DMO held consultations with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on Monday 23 May 2022 in hybrid form, with some participants attending at the DMO's offices and others joining via conference call. The consultations were primarily intended to inform the choice of gilts to be sold via auction and syndication in the second quarter of the financial year 2022-23, although feedback was also sought on the choice of long conventional gilt for sale at the planned syndication in mid to late June 2022.

The DMO set out a schedule of 14 gilt issuance dates in the July to September 2022 period, however with the planning assumption that one of the conventional auction dates would be cancelled to accommodate a syndicated offering in the quarter, and a current expectation that the transaction would be for a re-opening of 1½% Green Gilt 2053. Hence, the DMO expects to schedule 13 auctions in Q2 2022-23: 10 of conventional gilts and three of index-linked gilts.

In discussion, the following main points emerged.

### **GEMMs**

#### **Long conventional gilt syndication in June 2022**

The overwhelming majority of attendees supported a reopening of 1½% 2073 via syndication in June 2022.

#### **Long conventional gilt syndication in July to September 2022**

Attendees unanimously supported the DMO's current plan to reopen 1½% Green Gilt 2053 by syndication in the quarter, although there was an isolated suggestion that 0½% 2061 could potentially be considered as an alternative. There were mixed views on the preferred timing for the transaction; whilst the choice between July and September was finely balanced for some attendees, some preferred July, while a larger number of others favoured September.

#### **Conventional auctions (10)**

##### **Short (three)**

A majority of attendees recommended re-openings of 0¼% 2025 and 0½% 2029 in the quarter. There was also interest from a minority of GEMMs in the launch of a new 5-year gilt in Q2 2022-23, with most of those who expressed a view supporting a new 2027 maturity. Suggestions were also made for re-openings of other short gilts across a wide range of maturities, with some attendees citing shortages in the gilt repo market as the motivation for their proposals, although many noted that re-opening individual lines would not solve the broader issues facing the sector.

##### **Medium (three)**

There was very strong support for at least two re-openings of 1% 2032 in the quarter, with a majority of GEMMs recommending three further issuances. Some participants suggested that 0¾% 2030 could be re-opened in the quarter and there were only isolated calls for issuance of other gilts, such as 4¾% 2030.

## **Long (four)**

Re-openings of the benchmark maturities 1½% 2039, 0⅞% 2046 and 1¼% 2051 were strongly advocated in July to September 2022 with some suggestions that the 2039 or 2051 maturities be re-opened twice in the period. Some support was also expressed for a re-opening of 0½% 2061, with only isolated calls for issuance at any other maturity.

## **Index-linked auctions (three)**

Almost unanimous support was expressed for re-openings of IL 2031, IL 2039 and IL 2051 in the quarter as all three bonds continue to be built up towards benchmark sizes. There was also one recommendation for an auction of IL 2073.

## **Gilt investors**

### **Long conventional gilt syndication in June 2022**

All attendees advocated that the DMO re-open 1½% 2073 via syndication in June, with the majority of those who expressed a preference recommending that the transaction be held in the week commencing 20 June 2022.

### **Long conventional gilt syndication in July to September 2022**

Participants were supportive of the DMO's current plan to re-open 1½% Green Gilt 2053 in the quarter, with most attendees indicating either no strong preference over the choice of timing between July and September or opting for holding the transaction in July 2022.

## **Conventional auctions (10)**

### **Short (three)**

The majority of attendees who offered an opinion favoured one re-opening each of 0¼% 2025 and 0½% 2029 in the quarter. A majority of participants also suggested that the DMO should re-open one of the off-the-run gilts in order to help alleviate shortages in the sector, with a wide range of different gilts proposed, including those maturing in 2024, 2025, 2026 and 2028. It was also suggested by a few participants that one of these off-the-run gilts could alternatively be a candidate for a gilt tender.

### **Medium (three)**

There was a clear consensus amongst participants that 1% 2032 should be re-opened at least twice in Q2 2022-23 with a majority of attendees advocating three re-openings. There were also a few calls for a re-opening of 0¾% 2030 in order to alleviate a similar shortage in the market.

### **Long (four)**

There was a consensus for issuance of 1½% 2039, 0⅞% 2046, 1¼% 2051 and 0½% 2061, with the majority of participants recommending one auction of each gilt in the July to September 2022 period.

### **Index-linked auctions (three)**

A strong preference was expressed amongst those that offered an opinion for index-linked gilt auctions of IL 2031, IL 2039 and IL 2051, although there were also isolated calls for re-openings of IL 2026 and IL 2056.

### **Timetable**

The DMO will announce details of the gilt operations calendar for July to September 2022 at 7.30am on Tuesday 31 May 2022, together with the timing and identity of the gilt to be issued via syndication in June 2022.

The next consultation meetings to discuss gilt issuance for the period from October to December 2022 are currently scheduled for 3.30pm (investors) and 5.00pm (GEMMs) on Monday 22 August 2022.