

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

The DMO held consultations with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on Monday 22 August 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 third quarter of the financial year 2022-23, although feedback was also sought on the timing of the planned syndication of 1½% Green Gilt 2053 in September 2022 and demand for a tender of a short-dated conventional gilt in August 2022.

The DMO set out a schedule of fifteen gilt auction dates in the October to December 2022 period, including four new dates (5, 11, 26 October and 9 November) added as a consequence of a £4.5 billion (cash) transfer from the unallocated portion of issuance to the gilt auction programme. The DMO is planning to schedule twelve auctions of conventional gilts and three of index-linked gilts in the third quarter of 2022-23; it is also planning to hold a syndication of an index-linked gilt in November 2022.

In discussion, the following main points emerged.

### **GEMMs**

#### **Syndication of 1½% Green Gilt 2053 in September 2022**

It was noted that a number of external factors could make planning the timing of the syndicated 1½% Green Gilt 2053 transaction less straightforward. However, some suggested that the market might prefer some early clarification and that planning for the week commencing 19 September could possibly permit a move to the following week should circumstances warrant it.

#### **Index-linked gilt syndication in November 2022**

A number of bonds were suggested for syndication, including re-openings of IL 2039 and IL 2073 and new bonds in the 20 or 30 year areas, although it was noted that, given the length of time before the transaction, it might be premature to be definitive on the maturity at this stage.

#### **Conventional auctions (twelve)**

##### **Short (four)**

The launch and re-opening of a new gilt in the 5-year maturity area was supported (with maturity years 2027 and 2028 both mentioned), alongside re-openings of 0¼% 2025 and 0½% 2029, with isolated calls for other maturities.

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

Two re-openings of 1% 2032 and an auction of 0⅞% Green Gilt 2033 were widely recommended. Some participants noted that a new 10-year gilt could be launched in early 2023.

##### **Long (five)**

A range of maturities were advocated for auction with the 1½% 2039, 0⅞% 2046, 1¼% 2051 and 0½% 2061 gilts most often mentioned; there was also fairly strong support for two re-openings of 1¼% 2051 in the quarter.

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

Re-openings of IL 2031, IL 2039 and IL 2051 were generally recommended with only isolated calls for other maturities.

### **Gilt investors**

#### **Syndication of 1½% Green Gilt 2053 in September 2022**

A degree of uncertainty was noted in relation to the potential timing of a September syndication as a result of a number of externalities in that month.

#### **Index-linked gilt syndication in November 2022**

Where views were expressed, there was a mixture of opinions, with some attendees proposing a re-opening of IL 2073, while others commented that current risk appetite for ultra-long index-linked gilt issuance may be muted and suggested that a shorter, more index-neutral maturity (e.g. IL 2039 or IL 2051) may be more advisable. Given the length of time before any such transaction, however, it was not felt necessary to be specific about the maturity at this stage.

### **Conventional auctions (twelve)**

#### **Short (four)**

Attendees who offered a comment generally recommended auction combinations of 0¼% 2025, 0½% 2029 and a new 5-year gilt (maturing in 2027 or 2028).

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

Again, where specific recommendations were made, investor representatives advocated re-openings of 1% 2032 and an auction of 0⅞% Green Gilt 2033. It was noted that a new January 2034 gilt could be launched in early 2023.

#### **Long (five)**

A wide range of bonds were suggested for re-opening by auction, including 1½% 2039, 0⅞% 2046, 1¼% 2051, 0½% 2061 and 1½% 2073.

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

Re-openings of IL 2031, IL 2039 and IL 2051 were recommended by those who commented.

### **Tender(s)**

Both meetings also discussed the DMO's recently-announced proposal to hold a tender for a two- to three-year maturity conventional gilt on Thursday 25 August 2022. The vast majority of attendees supported such an operation, given current valuations in the sector. 0⅝% 2025 was the preferred choice of bond for the clear majority, although some other 2025 maturities were also mentioned.

## **Timetable**

The DMO will announce further details of the gilt operations calendar for October to December 2022 at 7.30am on Wednesday 31 August 2022.

The next consultation meetings to discuss gilt issuance for the period from January to March 2023 are currently scheduled for 3.30pm (investors) and 5.00pm (GEMMs) on Monday 21 November 2022, subject to confirmation pending any decisions by the Chancellor of the Exchequer on the timing of fiscal events.