

## **RECORD OF THE DMO CONSULTATIONS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE OCTOBER TO DECEMBER 2023 GILT OPERATIONS CALENDAR**

The DMO held consultations with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on Tuesday 29 August 2023 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 third quarter of financial year 2023-24.

The DMO set out a schedule of 15 gilt auction dates in the October to December 2023 period. The DMO is planning to schedule 11 auctions of conventional gilts and four auctions of index-linked gilts in the third quarter of 2023-24. The DMO also indicated that it is currently planning to hold one syndicated transaction of a conventional gilt and could also consider the scheduling of an index-linked syndication in the quarter.

In discussion, the following main points emerged.

### **GEMMs**

#### **Long conventional syndication**

Amongst those who offered a view, there was almost unanimous support for the launch of a new 20-year gilt, with the most popular maturity being in 2043. There was also an isolated call for the launch of a new 10-year gilt via syndication. However, a number of GEMMs suggested that it would be prudent, at this stage, to retain flexibility over the precise maturity of the gilt to be sold.

#### **Index-linked syndication**

Around half of attendees expressed support for the scheduling of an index-linked gilt syndication in the quarter. Views on timing of such a transaction were split between October and November, with the latter noted to coincide with index-linked gilt coupon payments. Recommendations for the choice of gilt that might be sold included the launch of a new 30-year index-linked gilt (potentially maturing in 2054), as well as re-openings of IL 2045 and IL 2073. However, a number of GEMMs suggested retaining flexibility about the maturity choice at this stage.

A few GEMMs suggested some re-arrangements to the proposed Q3 2023-24 gilt operations calendar in order to facilitate scheduling both syndications in the quarter.

#### **Conventional auctions (11)**

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

Unanimous support was expressed for at least one re-opening of 3½% 2025, with the majority of GEMMs also recommending a second auction of this gilt in the quarter. There was also unanimous support for two re-openings of 4½% 2028, with some calls for three re-openings of this gilt. There were isolated suggestions for one re-opening each of 1½% 2026 and 0½% 2029.

##### **Medium (four)**

There was a strong consensus in support of the launch and re-opening in Q3 2023-24 of a new 10-year gilt maturing in January 2034. One auction of each of 0% Green Gilt 2033 and

3¾% 2038 were also widely recommended. There were also a few recommendations for a re-opening of 3¼% 2033 and isolated calls for a second re-opening of each of 3¼% 2033 and 3¾% 2038.

### **Long (three)**

Unanimous support was expressed for at least one re-opening of 3¾% 2053, with almost half of attendees suggesting two auctions of the gilt in Q3 2023-24. The majority of GEMMs recommended one re-opening of 1½% Green Gilt 2053 with more limited support for re-openings of 1⅛% 2039, 0⅞% 2046 or 1⅛% 2073.

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

All GEMMs recommended at least one re-opening of IL 2033, with some calls for two auctions of this gilt. A majority of GEMMs also recommended one re-opening of each of IL 2039 and IL 2051. There was some support expressed for re-openings IL 2045 and IL 2073, as well as isolated suggestions for a second auction of IL 2051 and for an auction of IL 2056.

### **Gilt investors**

#### **Long conventional syndication**

Those attendees who expressed a view generally recommended the launch of a new 20-year conventional gilt with a 2043 maturity preferred by most.

#### **Index-linked gilt syndication**

Mixed views were provided on an index-linked syndication (amongst those who gave an opinion), with a number preferring that an index-linked syndication take place in Q4 2023-24, rather than in the third quarter of the financial year. However, others expressed the view that there was a case for holding an index-linked syndication in Q3 2023-24, given likely reinvestment into index-linked gilts from coupon payments in November. A range of potential maturities suggested for re-opening including IL 2039, IL 2051 and IL 2073.

#### **Conventional auctions (11)**

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

All those who expressed a view recommended at least one re-opening each of 3½% 2025 and 4½% 2028 with a number of attendees advocating for two re-openings of one or other of these gilts. There were also isolated calls for re-openings of 0⅜% 2026, 4⅛% 2027 and 0½% 2029, although it was recognised that the DMO is typically focussed on building up current coupon bonds to benchmark size.

##### **Medium (four)**

There was strong support amongst attendees for the launch and re-opening at least once in the quarter, of a new conventional gilt maturing in January 2034 and for a further re-opening of 0⅞% Green Gilt 2033. There were also a few calls for re-openings of 3¼% 2033 and 3¾% 2038.

### **Long (three)**

Re-openings of 3¾% 2053 and 1½% Green Gilt 2053 were widely supported by those who made recommendations. Other auction candidates mentioned by some included 1⅛% 2039 and 1⅛% 2073.

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

Where views were expressed, a re-opening of IL 2033 was widely advocated (with a few recommending two auctions of this gilt in Q3 2023-24). A range of other auction candidates were mentioned, including IL 2031, IL 2039, IL 2045, IL 2051 and IL 2073.

### **Timetable**

The DMO will announce details of the full gilt operations calendar for October to December 2023 at 7.30am on Thursday 31 August 2023.

The next consultations to discuss gilt issuance in the period January to March 2024 are currently scheduled for 3.30pm (gilt investors) and 5.00pm (GEMMs) on Monday 27 November 2023, subject to confirmation pending any decisions by the Chancellor of the Exchequer on the timing of fiscal events.