

RECORD OF THE DMO CONSULTATIONS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE JANUARY TO MARCH 2023 GILT OPERATIONS CALENDAR

The DMO held consultations with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on Monday 28 November 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 final quarter of the financial year 2022-23.

The DMO set out a schedule of 17 gilt auction dates in the January to March 2023 period. The DMO is planning to schedule 15 auctions of conventional gilts and two of index-linked gilts in the fourth quarter of 2022-23; it is also planning to hold a syndication of a new current coupon long conventional gilt in the second half of January 2023.

In discussion, the following main points emerged.

GEMMs

Long conventional syndication

Views were fairly evenly split between the launch of a long gilt in either the 30- or 40-year area although the balance of opinion was more in favour of a new bond maturing in the 30-year area with a maturity year of 2053 most often mentioned.

Conventional auctions (15)

Short (six)

Strong support was expressed for the launch and re-opening of a new 2- to 3-year gilt, with some attendees requesting two re-openings in the quarter following launch. A 2025 maturity was favoured by most. Re-openings of the new 4 $\frac{1}{8}$ % 2027, as well as 0 $\frac{1}{2}$ % 2029, were also widely advocated, with a few calls for a re-opening of 4 $\frac{1}{4}$ % 2027 and an isolated call for an auction of 0 $\frac{7}{8}$ % 2029.

Medium (five)

Widespread support was received for the launch followed by two re-openings in the quarter of a new 31 January 2033 maturity gilt and for an auction of 0 $\frac{7}{8}$ % Green Gilt 2033. Most GEMMs also recommended an auction of 3 $\frac{3}{4}$ % 2038 in February or March 2023, once the gilt has dropped into the DMO's medium maturity basket. There were also isolated calls for auctions of 1% 2032 and 4 $\frac{3}{4}$ % 2038.

Long (four)

Recommendations were received for issuance at a wide range of maturities, with some of the choices informed by attendees' recommendations for the maturity of the long gilt to be sold via syndication in Q4 2022-23. Widespread support was expressed for auctions of 1 $\frac{1}{2}$ % Green Gilt 2053 and 0 $\frac{7}{8}$ % 2046, with other support for re-openings of 1 $\frac{1}{8}$ % 2039, 1 $\frac{1}{4}$ % 2051, 0 $\frac{1}{2}$ % 2061 and 1 $\frac{1}{8}$ % 2073 and a re-opening of a new 30-year gilt if it was to be launched via syndication in January.

Index-linked auctions (two)

Very strong support was expressed for a re-opening of IL 2051 with views on the other index-linked gilt auction relatively evenly split between IL 2031 and IL 2039. There were isolated calls for a re-opening of IL 2073.

Gilt investors

Long conventional syndication

A majority of attendees who expressed a view had a preference for the launch of a new 40-year maturity, while others favoured the launch of a new gilt in the 30-year area.

Conventional auctions (15)

Short (six)

Strong support was expressed for the launch and one or two re-openings of a new 2025 maturity, alongside re-openings of 4½% 2027 and 0½% 2029.

Medium (five)

The early launch and subsequent re-opening(s) of a new 31 January 2033 maturity was widely advocated. Strong support among those who provided an opinion was also expressed for a re-opening of 0⅞% Green Gilt 2033 with many also recommending one or two auctions of 3¾% 2038 in the latter part of the quarter.

Long (four)

Recommendations were conditioned by preferences for the maturity of the long conventional syndication. Those recommending that a new 30-year be launched by syndication in Q4 2022-23 favoured auctioning 0½% 2061, while those who favoured a new 40-year gilt by syndication tended to recommend a re-opening of 1¼% 2051, and/or the launch of a new 30-year gilt by auction. A re-opening of 1½% Green Gilt 2053 was welcomed and other bonds mentioned as auction candidates included 1⅞% 2039, 0⅞% 2046 and 1⅞% 2073.

Index-linked auctions (two)

Most investors who expressed a view recommended re-openings of IL 2031 and IL 2051 in the final quarter of the financial year, although there were some calls for an auction of IL 2039 and isolated calls for issuance of other long dated index-linked gilts.

Timetable

The DMO will announce details of the gilt operations calendar for January to March 2023 at 7.30am on Wednesday 30 November 2022.

The next consultations to discuss gilt issuance for the period from April to June 2023 are currently scheduled for 3.30pm (gilt investors) and 5.00pm (GEMMs) on Monday 13 March 2023, subject to confirmation pending any decision by the Chancellor of the Exchequer on the timing of fiscal events.