

RECORD OF THE DMO CONSULTATION MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE OCTOBER-DECEMBER 2018 GILT MARKET OPERATIONS CALENDAR

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 20 August 2018. The meetings were primarily intended to inform the choice of gilts to be sold via auction and syndication in the third quarter of 2018-19.

Eight gilt auctions are scheduled in October-December 2018: five of conventional gilts and three of index-linked gilts. In addition to views on choices of gilts for sale via auction, feedback was also sought on the choice of maturity for a long conventional gilt to be sold via syndication in Q3, as well as the timing of that transaction. Views were also sought on demand for any gilt tenders in the period ahead. In discussion, the following main points emerged.

GEMMs

Syndication

There was a unanimous recommendation that the next syndication should be a re-opening of 1 $\frac{5}{8}$ % 2071 and that the transaction should take place in the first half of October.

Conventional auctions (five)

Short (two)

All GEMMs supported two re-openings of the new 1% 2024.

Medium (one)

All GEMMs recommended a re-opening of 1 $\frac{5}{8}$ % 2028 on 6 November.

Long (two)

All GEMMs advocated at least one reopening of the new 2049 maturity gilt (which the DMO plans to auction for the first time on 11 September) and a few recommended two auctions of that bond in the coming quarter. Of those that did not recommend two auctions of the new 2049 maturity, a re-opening of 1 $\frac{3}{4}$ % 2037 was the clear preference for the second long conventional auction.

Index-linked auctions (three)

A number of maturities were recommended for auction, but at least one re-opening of IL 2028 was recommended by all but one GEMM, with a few calls for it to be auctioned twice. The other maturities most often recommended were IL 2036, IL 2048 and IL 2056, with isolated calls for issuance of IL 2041 and IL 2065. Some attendees observed that market demand for longer dated index-linked maturities

seemed to be returning and might potentially be addressed by issuance via a gilt tender.

Investors

Syndication

Where a view was expressed, investors recommended a re-opening of 1⁵/₈% 2071 in October.

Conventional auctions (five)

Short (two)

Where a recommendation was made, attendees all supported issuance of 1% 2024 at both short conventional auctions.

Medium (one)

A re-opening of 1⁵/₈% 2028 was strongly supported for re-opening in the coming quarter. A few attendees pointed to the potential need to supply an additional medium conventional gilt (e.g. 4¹/₄% 2027) via a gilt tender.

Long (two)

Investors were broadly split between those recommending two re-openings of the new 22 January 2049 maturity and those advocating one auction of the new gilt and a further re-opening of 1³/₄% 2037.

Index-linked auctions (three)

Where a view was expressed, investors recommended a variety of maturities for re-opening. The most frequently requested maturities were IL 2028, IL 2041, IL 2048 and IL 2056.

Timetable

The DMO will announce details of the gilt operations calendar for October-December 2018 at 7.30am on Friday 31 August 2018.

The next consultation meetings to discuss gilt issuance in January-March 2019 are scheduled to be held at 3.30pm (end-investors) and 5.00pm (GEMMs) on Monday 26 November 2018 (subject to confirmation depending on the Chancellor's decision on the timing of the Autumn Budget).