

Talking to the Market

Q 9-02. What advantages of direct communication with market participants?

One should involve the market in issuance strategy and calendar setting by soliciting their views. This is best done by asking for opinions and posing open-ended suggestions. The sense of being listened-to will encourage market participants to endorse and support program development. In gathering market opinions, however, it must be remembered that each market participant prefers offerings that meet the needs of their own clients and business. Rather than focus on individual advice or suggestions, it may be better to look for broad themes underlying the full set of comments.

Q 9-02.01. How much should you reveal to the market?

Choose a level of disclosure that informs the market, maintains a level playing field, and preserves the state's flexibility. One should not be afraid to talk with market participants; they are useful as sounding boards for broad policy issues. In sharing proposals with them, however, one should avoid giving away too much detail and one should share the information broadly.

Q 9-02.02. How much should be said about strategy?

In stating a debt strategy, it is better to make broad statements rather than publicly declaring specific targets for benchmarks as shares of the portfolio. Market statements should be limited to a few sentences concerning the general direction of your strategy. The world changes so quickly that anything more precise is likely to be outmoded within a year.

Q 9-02.03. How much should be said about specific plans?

Publicly stating the state's remit over a limited time horizon can help agents anticipate and setup for the state's funding needs. A reasonable horizon would be a twelve-month period on a sliding window. As discussed earlier, the detail should include the likely tenors to be offered and the approximate date of offering. It need not include the amount to be offered in detail by issue. The details that are published should be adhered to as much as possible. For this reason, offering amounts should not be included.

Q 9-02.04. What should be said about performance measures?

Performance metrics are important guides in managing a process. There is always the risk that over time the processes will be adjusted to achieve a good score on the

performance measure. Focusing on one measure may lead, however, to suboptimal results elsewhere. One remedy that has been used by some organizations is to rotate the list of measures being used to keep the organization from performing to a single measure or skewing the process to obtain good scores on the performance measure as an end in itself.

It is also advisable to publish the state's performance metrics to help enforce a discipline of transparency.