

All Signal, No Noise



Gilt Week Ahead

21 June 2021, Tim Davis

After a busy week for data last week in which labour market data was encouraging, inflation was higher than expected but retail sales disappointed, focus now switches to Thursday's MPC policy announcement.

We will release our full Bank of England preview later this week but note that expectations are low in terms of any changes to policy. Of the sell-side previews we have read so far there is a unanimous expectation of a 9-0 vote for rates on hold and an 8-1 vote of the APF target remaining unchanged (with Haldane again excepted to vote for a reduction). There are also no expectations that the pace of purchases will be adjusted (with the May meeting having set out a pace of purchases until the August meeting). There is some disagreement over the magnitude of the risk of another MPC member joining Haldane in voting for a reduction in the APF target (which would end QE before mid-December). In general, consensus expects this to lead to a more upbeat statement but with acknowledgement of increased uncertainties. The upside risks stem from better growth and higher inflation data with the increased uncertainty from the delaying of lockdown, increasing case Delta variant case numbers (and by some the Northern Irish protocol disagreements with the EU). Needless to say, if an additional member votes to end QE early that would be a big deal to the market. Although no change is expected at this meeting, a number of analysts have pushed forward their expectation of the first Bank Rate hike.

Ahead of the MPC decision we do have updated public finance data for May on Tuesday (which will give us more of an indication of how spending is progressing as the lockdown measures are gradually pared back) and PMI data on Wednesday. The PMI data for June will be interesting to watch to see if there is any real hit to sentiment from the latest delay in the lockdown roadmap.

Just a final note on Covid case data. The market seemed to react a bit to the daily case numbers rising back into 5 figures late last week. However, we note that looking at the 7-day moving average, the growth rate of cases has actually fallen to its lowest level in a couple of weeks. In terms of vaccination data, the UK has now given first doses to over 80% of adults and second doses to almost 60% of adults. A number of media reports have suggested this morning that the government will not want to ease restrictions for the final stage of the roadmap out of lockdown until around 70% of adults have received both doses. The encouraging news is that it looks very likely that level will be achieved by the expected reopening date of 19 July (or potentially achieved 7-10 days earlier based on the pace of current second doses).

Supply Previews

0.125% Nov-65 linker auction

The only UK issuance scheduled for this week is the GBP400mln nominal auction of the 0.125% Nov-65 index-linked gilt. The linker was last sold via auction just over 5 months ago on 13 January with a smaller auction size of GBP300mln nominal (although the full GBP75mln was taken up at the PAOF). The auction saw a real yield of -1.981% and a bid-to-cover of 2.35x. Since then real yields have fallen back again and at the time of writing were around -2.12%. We note that despite the upward surprise to the CPI print last week, that RPI actually came in in line with expectations. We have not seen the bid-to-cover fall below 2x on any linker auction since November, and we would expect another strong auction this week.

mni

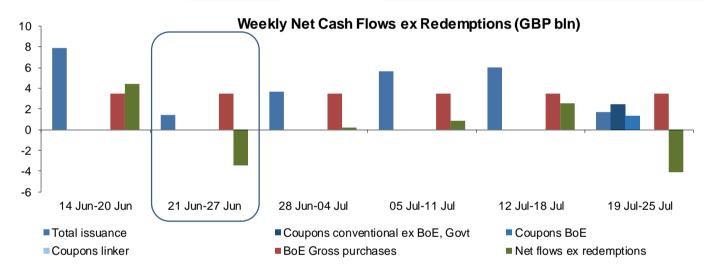


Gilt Issuance, Redemption and Cash Flow Matrix

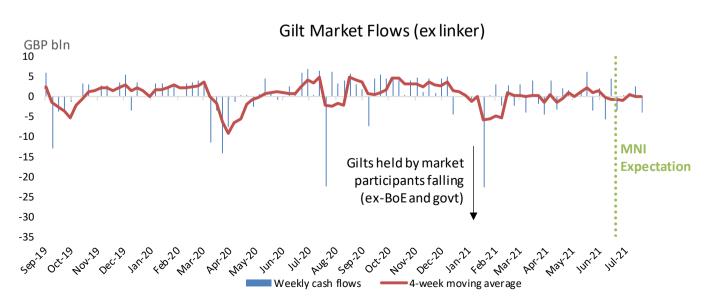


Net Cash Flow Matrix (GBP bln)

	14 Jun-20 Jun	21 Jun-27 Jun	28 Jun-04 Jul	05 Jul-11 Jul	12 Jul-18 Jul	19 Jul-25 Jul
Issuance - conventional	7.9		3.7	4.3	6.0	1.7
Issuance - linker		1.4		1.3		
Redemptions ex BoE						
Redemptions BoE						
Redemptions linker						
Coupons - conventional ex BoE						2.4
Coupons - conventional BoE						1.4
Coupons - Linkers						
Gross BoE purchases	3.4	3.4	3.4	3.4	3.4	3.4
Net flow	4.4	-2.1	0.2	2.2	2.6	-4.1
Net flow ex linker	4.4	-3.4	0.2	0.8	2.6	-4.1



QE Tracker





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Gilts in Issue and Fiscal 2021/22 Calendar

Week beginning 21-Jun-2021



Gilts in issue (GBP bln) DMO Supply (GBP mln)														
Maturity	Туре	Coupon	Nom Amount	inc inf uplift	BoE holdings	Govt nom holdings	Mkt holdings*	Date Issue	Nom Amount	PAOF	Cash proceeds	Yield	Bid-to-cover	Tail
07-Jun-21	Conventional	8.000	24.6	-	11.3	8.4	4.9	07-Apr 0.375% Oct-26	3000	394.0	3377	0.468%	2.56	0.3
07-Sep-21 07-Mar-22	Conventional Conventional	3.750 4.000	29.0 38.8	-	14.3 25.1	2.1 2.7	12.6 10.9	07-Apr 0.875% Jan-46 08-Apr 0.25% Jul-31	2000 2750	- 687.5	1808 3220	1.332% 0.892%	2.54 2.97	0.3 0.1
22-Jul-22	Conventional	0.500	29.3	-	3.2	0.6	25.4	13-Apr 1.625% Oct-71	1000	-	1196	1.117%	2.23	0.8
07-Sep-22	Conventional	1.750	29.7	- 22.0	5.9	1.4	22.4	14-Apr 0.125% Mar-51 Linker	600	113.8	1336	-1.979%	2.31	0.0
22-Nov-22 31-Jan-23	Linker Conventional	1.875 0.125	15.7 33.8	22.9	-	0.2 0.0	22.7 33.8	20-Apr 0.125% Jan-24 21-Apr 0.625% Jul-35	3250 2500	812.5 625.0	4060 2927	0.150% 1.105%	2.70 2.46	0.2 0.2
22-Jul-23	Conventional	0.750	33.7	-	14.0	0.6	19.1	27-Apr 1.25% Jul-51	6000	-	5908	1.312%		
07-Sep-23 31-Jan-24	Conventional	2.250 0.125	35.3	-	19.7 2.9	1.3 0.0	14.3 31.2	28-Apr 0.125% Aug-31 Linker	900	213.7	1476	-2.537%	2.82	0.1
22-Mar-24	Conventional Linker	0.125	34.1 15.2	18.8	-	0.0	18.8	05-May 0.25% Jul-31 05-May 0.875% Jan-46	2750 2000		2569 1812	0.924% 1.322%	2.67 2.17	0.1 0.9
22-Apr-24	Conventional	1.000	34.2	-	19.6	0.4	14.2	11-May 0.375% Oct-26	3000	283.8	3269	0.457%	2.57	0.2
17-Jul-24 07-Sep-24	Linker Conventional	2.500 2.750	6.8 34.4	20.5	23.5	0.7 1.0	18.3 9.8	11-May 0.50% Oct-61 18-May 0.125% Jan-24	1500 3250	- 812.5	1138 4055	1.264% 0.189%	2.27 2.60	0.4 0.1
07-Mar-25	Conventional	5.000	35.8	-	19.0	8.2	8.6	18-May 1.25% Oct-41	2250	562.5	2742	1.392%	2.49	0.1
07-Jun-25	Conventional	0.625	41.4	-	27.3	0.3	13.8	19-May 0.625% Jul-35	2500	593.7	2838	1.264%	2.53	0.2
07-Sep-25 30-Jan-26	Conventional Conventional	2.000 0.125	38.3 33.9	- 1	26.2 16.3	0.9 0.0	11.2 17.6	25-May 0.125% Sep-39 Linker 02-Jun 0.25% Jul-31	4000 2750	687.5	6092 3208	-2.245% 0.941%	2.64	0.1
22-Mar-26	Linker	0.125	13.5	15.6	-	0.0	15.6	02-Jun 0.875% Jan-46	2000	500.0	2247	1.359%	2.40	0.2
22-Jul-26 22-Jul-26	Conventional Sukuk	1.500 0.333	41.9 0.5	-	28.8	0.8	12.3 0.5	08-Jun 0.375% Oct-26	3000	742.5 312.5	3725 1843	0.465%	2.69 2.26	0.2
22-Jul-20 22-Oct-26	Conventional	0.333	13.6	-	1.9	0.0	11.7	08-Jun 1.625% Oct-71 09-Jun 0.125% Aug-31 Linker	1250 1000	172.4	1585	1.153% -2.687%	2.77	0.3
22-Jul-27	Conventional	1.250	39.3		24.3	0.5	14.5	15-Jun 0.125% Jan-28	2750	305.3	2975	0.531%	2.50	0.1
22-Nov-27 07-Dec-27	Linker Conventional	1.250 4.250	14.2 31.7	21.9	- 17.6	0.2 6.3	21.5 7.7	15-Jun 1.25% Jul-51 16-Jun 0.625% Jul-35	2000 2750	368.8	1988 2920	1.274% 1.115%	2.24 2.74	0.2 0.1
31-Jan-28	Conventional	0.125	29.8	-	11.3	0.0	18.5	23-Jun 0.125% Nov-65 Linker	400	300.0	2320	1.11370	2.17	0.1
10-Aug-28	Linker	0.125	17.9	19.3	-	0.0	19.3	01-Jul New Jan-25	3250*					
22-Oct-28 07-Dec-28	Conventional Conventional	1.625 6.000	36.3 19.4	-	22.5 8.9	0.5 6.0	13.3 4.5	06-Jul 0.25% Jul-31 06-Jul 0.50% Oct-61	2750* 1500*					
22-Mar-29	Linker	0.125	15.5	19.5	-	0.0	19.5	07-Jul 0.125% Mar-51 Linker	600*					
22-Oct-29	Conventional	0.875	41.9	- 10 F	28.0	0.3	13.6	13-Jul New Jan-39	6000*					
22-Jul-30 22-Oct-30	Linker Conventional	4.125 0.375	4.8 37.3	10.5 -	21.6	0.5 0.0	9.4 15.7	20-Jul 1.625% Oct-71 27-Jul 0.375% Oct-26	1250* 3000*					
07-Dec-30	Conventional	4.750	41.1	-	24.9	5.7	10.5	03-Aug 1.25% Jul-51	2000*					
31-Jul-31 10-Aug-31	Conventional Linker	0.250 0.125	26.5	4.3	8.3	0.0 0.0	18.2 4.3	10-Aug 0.25% Jul-31 11-Aug 0.125% Sep-39 Linker	2750*					
07-Jun-32	Conventional	4.250	4.2 38.7	-	21.1	8.6	9.0	17-Aug 0.875% Jan-46	800* 2000*					
22-Nov-32	Linker	1.250	14.7	20.2	-	0.0	20.2	24-Aug 0.375% Oct-26	3000*					
22-Mar-34 07-Sep-34	Linker Conventional	0.750 4.500	14.6 34.8	18.8	22.9	0.0 2.1	18.8 9.8	01-Sep New Jan-29 07-Sep New Jan-25	3000* 3250*					
26-Jan-35	Linker	2.000	9.1	15.4	-	0.8	14.0	07-Sep 1.625% Oct-71	1250*					
31-Jul-35	Conventional	0.625	33.4	-	6.6	0.0	26.8	08-Sep 0.125% Aug-31 Linker	1000*					
07-Mar-36	Conventional	4.250	30.4	-	13.6	7.4	9.5	14-Sep 0.375% Oct-26	3000*					
22-Nov-36	Linker	0.125	13.9	16.0	-	0.0	16.0	15-Sep 0.25% Jul-31	2750*					
07-Sep-37 22-Nov-37	Conventional Linker	1.750 1.125	30.7 13.1	19.4	9.3	0.4 0.2	21.0 19.1	21-Sep Green gilt synd (MNI exp)* 22-Sep 0.125% Nov-56 Linker	6000* 500*					
07-Dec-38	Conventional	4.750	25.7	-	10.9	7.3	7.5	28-Sep 1.25% Jul-51	2000*					
07-Sep-39	Conventional	4.250	23.3	-	10.2	1.6	11.4	05-Oct Conventional gilt						
22-Mar-40	Linker	0.625	14.1	19.5	-	0.0	19.5	06-Oct Conventional gilt						
07-Dec-40	Conventional	4.250	25.4	-	10.4	1.9	13.0	12-Oct Conventional gilt						
10-Aug-41	Linker	0.125	12.4	13.3	-	0.0	13.3	13-Oct I/L gilt						
22-Oct-41 22-Nov-42	Conventional Linker	1.250 0.625	32.5 12.6	- 17.7	7.7 -	0.0 0.0	24.7 17.7	19-Oct Conventional gilt 20-Oct Conventional gilt						
07-Dec-42	Conventional	4.500	27.2	-	8.8	6.1	12.4	26-Oct Conventional gilt						
22-Jan-44	Conventional	3.250	27.9	-	7.0	1.2	19.7	02-Nov Conventional gilt						
22-Mar-44	Linker	0.125	15.7	19.4	-	0.0	19.4	03-Nov Conventional gilt						
22-Jan-45	Conventional	3.500	28.2	-	8.6	1.0	18.7	09-Nov Conventional gilt						
31-Jan-46	Conventional	0.875	13.0		2.7	0.0	10.3	10-Nov I/L gilt						
22-Mar-46 07-Dec-46	Linker	0.125	13.5	15.7	- 7.6	0.0	15.7	16-Nov Conventional gilt						
22-Jul-47	Conventional Conventional	4.250 1.500	24.1 24.7	-	7.6 5.8	5.8 0.5	10.8 18.4	17-Nov Conventional gilt 23-Nov I/L syndication (MNI exp)						
22-Jul-47 22-Nov-47	Linker	0.750	11.7	16.9	-	0.1	16.8	01-Dec Conventional gilt						
10-Aug-48	Linker	0.125	11.8	12.8	-	0.0	12.8	02-Dec Conventional gilt						
22-Jan-49	Conventional	1.750	29.0	-	17.9	0.2	10.9	07-Dec Conventional gilt						
07-Dec-49	Conventional	4.250	20.2	-	7.8	2.9	9.5	08-Dec I/L gilt						
22-Mar-50 22-Oct-50	Linker Conventional	0.500	12.2 30.6	17.2 -	- 16.5	0.0 0.0	17.2 14.2	14-Dec Conventional gilt						
22-0ct-50 22-Mar-51	Linker	0.625 0.125	3.0	3.0	10.5	0.0	3.0	05-Jan Conventional gilt 11-Jan Conventional gilt						
31-Jul-51	Conventional	1.250	8.0	-	0.5	-	7.5	12-Jan I/L gilt						
22-Mar-52	Linker	0.250	12.4	15.3	-	0.0	15.3	18-Jan Conventional gilt						
22-Jul-52	Conventional	3.750	24.1	-	11.7	1.4	11.1	19-Jan Conventional gilt						
22-Oct-54	Conventional	1.625	23.6	-	9.7	0.1	13.8	25-Jan Conventional gilt						
22-Nov-55 07-Dec-55	Linker Conventional	1.250 4.250	10.2 26.6	15.9 -	10.0	0.2 6.1	15.5 10.4	26-Jan I/L gilt 01-Feb Conventional gilt						
22-Nov-56	Linker	0.125	6.8	- 7.7	10.0	0.0	7.7	02-Feb Conventional gilt						
22-Jul-57	Conventional	1.750	29.5	-	10.8	0.4	18.3	08-Feb Conventional gilt						
22-Mar-58	Linker	0.125	11.0	12.8	-	0.0	12.8	09-Feb I/L gilt						
22-Jan-60	Conventional	4.000	24.1	-	11.8	1.6	10.7	15-Feb Conventional gilt						
22-Oct-61	Conventional	0.500	16.6	-	5.2	0.0	11.3	16-Feb Conventional gilt						
22-Mar-62	Linker	0.375	12.5	15.9	-	0.0	15.9	22-Feb Long syndication (MNI exp))					
22-Jul-65 22-Nov-65	Conventional Linker	2.500 0.125	19.7 7.6	8.8	4.9	0.5 0.0	14.3 8.8	23-Feb I/L gilt 01-Mar Conventional gilt						
22-Nov-63 22-Mar-68	Linker	0.125	12.6	15.1	-	0.0	15.1	02-Mar Conventional gilt						
22-Jul-68	Conventional	3.500	19.9	-	4.8	0.8	14.4	08-Mar Conventional gilt						
22-Oct-71	Conventional	1.625	18.8	-	10.4	0.2	8.2	15-Mar Conventional gilt						
	clude estimations							16-Mar I/L gilt						
*Mkt holding:	s = Nominal outsta	anding - BoE	: noldings - g	jovt holding	JS .			22-Mar Conventional gilt						

Key Upcoming Dates
24-Jun BoE Monetary Policy Summary and policy decision at 12:00BST
05-Aug BoE Monetary Policy Report, Summary and policy decision at 12:00BST
23-Aug DIMO to hold consultation meetings to discuss October to December gilt issuance



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MARKET ANALYSIS

Purchase Proceeds Since Beginning of Fiscal Year 2020/21

Short-dated Purchases								
Gilt	GBP bln							
0.75% Jul-23	10.37							
2.25% Sep-23	8.81							
0.125% Jan-24	2.91							
1.00% Apr-24	19.34							
2.75% Sep-24	8.40							
5.00% Mar-25	-							
0.625% Jun-25	26.64							
2.00% Sep-25	6.46							
0.125% Jan-26	16.28							
1.50% Jul-26	13.42							
0.375% Oct-26	1.86							
1.25% Jul-27	15.54							
4.25% Dec-27	-							
0.125% Jan-28	11.21							

Medium-dated Purchases	Medium-dated Purchases									
Gilt	GBP bln									
1.25% Jul-27	1.14									
4.25% Dec-27	-									
0.125% Jan-28	-									
1.625% Oct-28	18.31									
6.00% Dec-28	-									
0.875% Oct-29	28.36									
0.375% Oct-30	21.58									
4.75% Dec-30	6.94									
0.25% Jul-31	7.84									
4.25% Jun-32	1.88									
4.50% Sep-34	7.07									
0.625% Jul-35	6.34									
4.25% Mar-36	4.55									
1.75% Sep-37	9.54									
4.75% Dec-38	1.59									
4.25% Sep-39	2.36									
4.25% Dec-40	1.50									

Long-dated purchases Gilt 4.25% Dec-40 1.25% Oct-41 8 45 4.50% Dec-42 1.64 3 25% Jan-44 2 97 3.50% Jan-45 4.74 0.875% Jan-46 2.48 4.25% Dec-46 2.63 1.50% Jul-47 3.71 1 75% Jan-49 17 60 4.25% Dec-49 3.98 0.625% Oct-50 14.85 1.25% Jul-51 0.53 3.75% Jul-52 7.28 1.625% Oct-54 11.41 4.25% Dec-55 2 78 1.75% Jul-57 11.11 4.00% Jan-60 6.68 4.76 0.50% Oct-61 2.50% Jul-65 5.82 3.50% Jul-68 4 53 1.625% Oct-71 10.51

Gilts in purple have moved from a different maturity bucket

Gilts in red reached BoE 70% free float issue limit so are ineligible for further purchases A gilt will only be eligible for purchases when its issue size exceeds GBP4bln A gilt is ineligible for purchase if there is any primary issuance of the gilt within 7 days

June 2020 Issuance/Purchases

	0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO issuance	4.3	11.2	10.7	14.4	-	16.1
BoE purchases	-	14.1	2.8	15.4	1.6	17.0
Net	4.3	-29	7.9	-0.9	-16	-0.8

July 2020 Issuance/Purchases

		0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
D	MO issuance	7.3	7.9	11.7	16.9	-	13.1
В	oE purchases	-	7.8	2.5	8.9	1.4	10.4
N	let	7.3	0.1	9.2	7.9	-1.4	2.8

August 2020 Issuance/Purchases

	0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO issuance	4.1	3.4	7.1	12.7	-	8.9
BoE purchases	-	2.5	4.2	4.0	2.7	6.7
Net	4.1	0.9	2.9	8.7	-2.7	2.2

September 2020 Issuance/Purchases

		0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
	DMO issuance	3.3	-	6.9	18.1	2.6	11.1
	BoE purchases	-	3.5	3.9	6.2	1.1	7.4
ı	Net	3.3	-3.5	3.0	11.8	1.5	3.8

October 2020 Issuance/Purchases

		0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMC	O issuance	3.3	7.1	3.0	11.6	-	10.3
BoE	purchases	-	3.9	2.0	5.2	0.7	5.9
Net		3.3	3.2	1.0	6.4	-0.7	4.4

November 2020 Issuance/Purchases

	0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO issuance	-	4.1	6.2	9.5	-	8.9
BoE purchases	-	5.3	2.0	5.3	0.6	5.9
Net	-	-1.3	4.2	4.3	-0.6	3.0

December 2020 Issuance/Purchases

	0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO issuance	-	4.0	3.7	5.7	-	4.8
BoE purchases	-	2.2	0.7	4.2	0.2	4.4
Net	-	1.8	3.0	1.5	-0.2	0.4

January 2021 Issuance/Purchases

	0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO issuance	-	3.3	-	9.6	-	9.9
BoE purchases	-	1.8	4.1	4.9	1.0	5.9
Net	-	1.4	-4.1	4.7	-1.0	4.0

Source for all: MNI, DMO, Bank of England

February 2021 Issuance/Purchases

_	0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO issuance	3.3	3.0	-	5.5	-	7.1
BoE purchases	-	3.5	2.4	5.1	0.9	5.9
Net	3.3	-0.5	-24	0.4	-0.9	12

March 2021 Issuance/Purchases

	0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO issuance	4.4	-	3.1	5.5	-	8.3
BoE purchases	-	5.1	2.3	6.0	1.4	7.4
Not	4.4	-5.1	0.8	-0.4	-1 /	0.9

April 2021 Issuance/Purchases

	0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO issuance	4.1	-	3.4	6.1	-	8.9
BoE purchases	-	3.1	2.8	4.6	1.3	5.9
Not	11	-3.1	0.6	1.5	-13	3.0

May 2021 Issuance/Purchases

	0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO issuance	4.1	-	3.3	5.4	-	5.7
BoE purchases	-	2.3	2.6	4.0	0.9	4.9
No4	11	2.2	0.7	1 /	0.0	0.0

June 2021 Issuance/Purchases (MNI Estimates)

	0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO issuance	-	-	6.7	6.1	-	6.1
BoE purchases	-	3.7	2.0	4.6	1.1	5.7
Net	-	-3.7	4.7	1.5	-1.1	0.3

July 2021 Issuance/Purchases (MNI Estimates)

	U-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO issuance	-	3.7	3.4	2.9	6.0	3.1
BoE purchases	-	2.6	1.9	3.7	0.9	4.6
Net	-	1.0	1.4	-0.8	5.1	-1.5

August 2021 Issuance/Purchases (MNI Estimates)

	0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO issuance	-	-	3.4	2.9	-	4.4
BoE purchases	-	2.6	1.9	4.6	1.1	4.6
Net	-	-2.6	1.4	-1.7	-1.1	-0.2

September 2021 Issuance/Purchases (MNI Estimates)

	0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO issuance	-	3.7	3.4	6.3	-	4.0
BoE purchases	-	3.3	2.4	3.7	0.9	5.7
Net	_	0.3	0.9	26	-0.9	-1 7