

# 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 expected 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

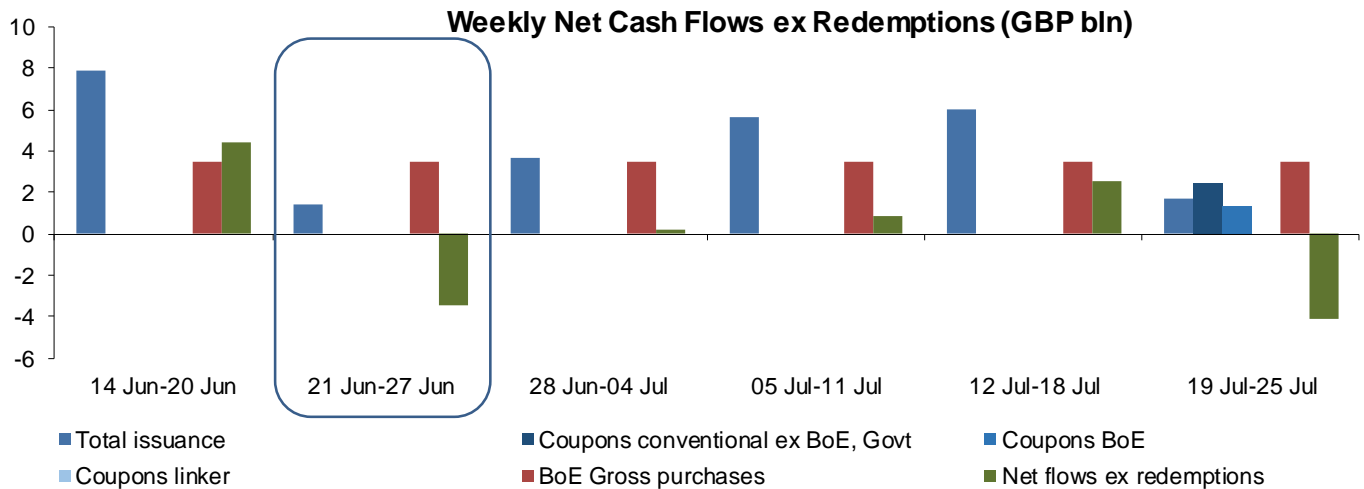
The only UK issuance scheduled for this week is the GBP400m nominal auction of the 0.125% Nov-65 index-linked gilt. The linker was last sold via auction just over 5 months ago on 13 January with a smaller auction size of GBP300m nominal (although the full GBP75m was taken up at the PAOF). The auction 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.

## Gilt Issuance, Redemption and Cash Flow Matrix

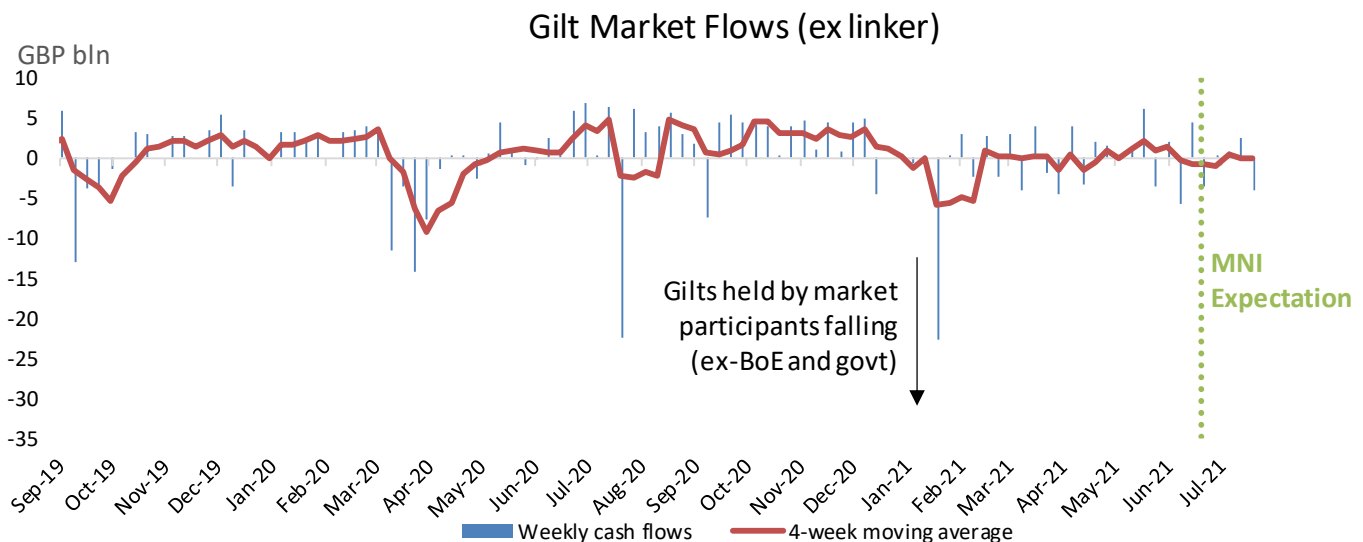


Net Cash Flow Matrix (GBP bln)

	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





## 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

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	GBP bln
4.25% Dec-40	1.68
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
0.50% Oct-61	4.76
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	-2.9	7.9	-0.9	-1.6	-0.8

### 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	-2.4	0.4	-0.9	1.2

### July 2020 Issuance/Purchases

	0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO issuance	7.3	7.9	11.7	16.9	-	13.1
BoE purchases	-	7.8	2.5	8.9	1.4	10.4
Net	7.3	0.1	9.2	7.9	-1.4	2.8

### 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
Net	4.4	-5.1	0.8	-0.4	-1.4	0.9

### 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

### 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
Net	4.1	-3.1	0.6	1.5	-1.3	3.0

### 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
Net	3.3	-3.5	3.0	11.8	1.5	3.8

### 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
Net	4.1	-2.3	0.7	1.4	-0.9	0.8

### October 2020 Issuance/Purchases

	0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO 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

### 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

### 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

### July 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	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

### 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

### 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

### 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

### 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	2.6	-0.9	-1.7