

Gilt Week Ahead

16 August 2021, Tim Davis

Last week's highlight was the release of June activity data and the first print of Q2 GDP. The Q2 figure came in in line with consensus expectations of 4.8%Q/Q (a little below the BoE's 5.0% forecast). June monthly GDP data was higher than expected with May revised lower, and we have seen analysts draw both positive and negative conclusions from the data, with some upward revisions to GDP for the year, and some downward revisions, too.

This week, there will be a lot of focus on the data again. Tomorrow we have the labour market report. As well as the headline numbers for June (recall that most businesses reopened on 17 May and all legal restrictions including social distancing were removed on 21 June), there will be focus on the more timely experimental HMRC data payroll data for July. Labour market data is arguably the most important data for the Bank of England right now, whose forecasts show that the peak in unemployment has already happened (before the furlough scheme has ended).

Wednesday will see inflation data, where any big surprises have the potential to have a decent impact on the market. Friday will see retail sales and public finance data, both for July. Public finance data is unlikely to be market moving but retail sales data will give us the best estimate yet of the state of consumer spending in July.

In other news, new rules come into force across England for contacts of Covid-19 cases today. For those who have received their second dose of a Covid-19 vaccine at least 14 days prior, there will be no need to self isolate if they have been a close contact of someone who has tested positive for Covid-19, they will instead be encouraged to take a PCR test as soon as possible (but will not have to isolate as they await the results). This rule change should have a positive impact on the economy as the number of people required to self-isolate (and hence to stay away from work) will be vastly reduced.

The rule changes will not apply to any adults over the age of 18 years and 6 months who have not received both doses of their Covid-19 vaccine – they will still be required to self-isolate if they come into contact with a confirmed case. However, the rules on childcare bubbles will also end (which had also been impacting some parents' ability to work) with 5-18 year olds simply required to receive a PCR test (like fully vaccinated adults) and under 5-year-olds only required to take a PCR test if someone in their household is a confirmed case.

Supply Previews

0.875% Jan-46 auction

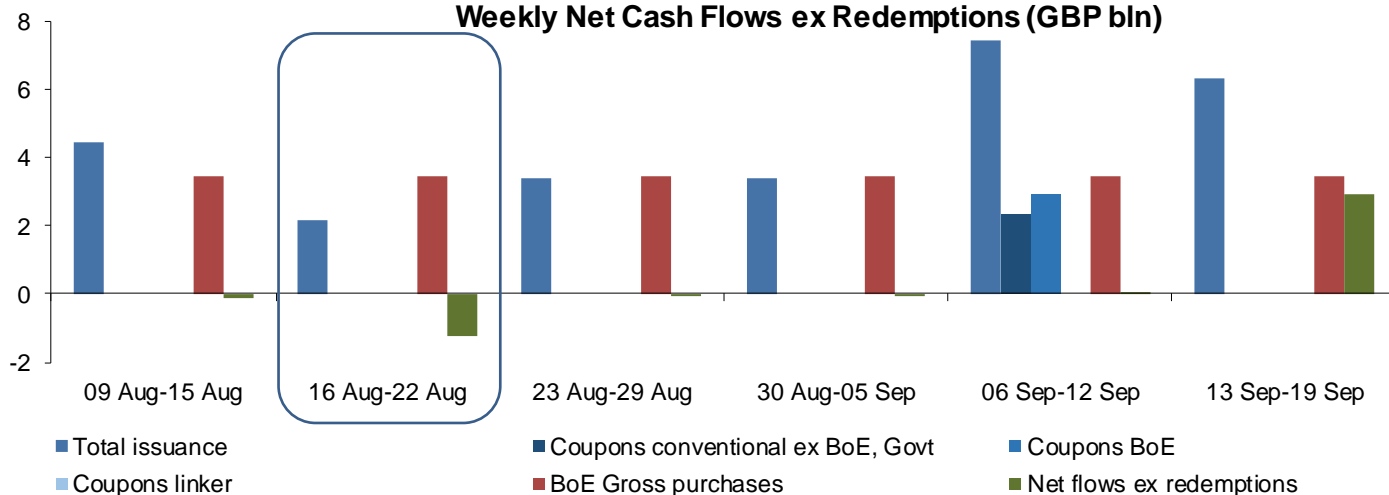
The DMO will come to the market to hold its second long-dated auction of August with GBP2.0bln of the 25-year 0.875% Jan-46 gilt on offer on Tuesday. This will be the fourth auction of the gilt which was first launched via syndication in January for GBP6.5bln. The three auctions since then have all been for GBP2.0bln, with the full PAOF amount taken up in the last auction. Performance at auction has varied a little, with bid-to-covers all coming in a respectable range of 2.17-2.54x but tails have varied from 0.2-0.9bp. We note that the tail for the 1.25% Jul-51 gilt (the other long-dated gilt sold in August) was 0.5bp, in the middle of the range for the 0.875% Jan-46 gilt. We would not be surprised to see another tail in this region, or even up to 1.0bp, given the lower liquidity through August. The 0.875% Jan-46 gilt is not scheduled to be reopened in September, but we would expect 1-2 reopenings in the October-December quarter.

Gilt Issuance, Redemption and Cash Flow Matrix

Net Cash Flow Matrix (GBP bln)

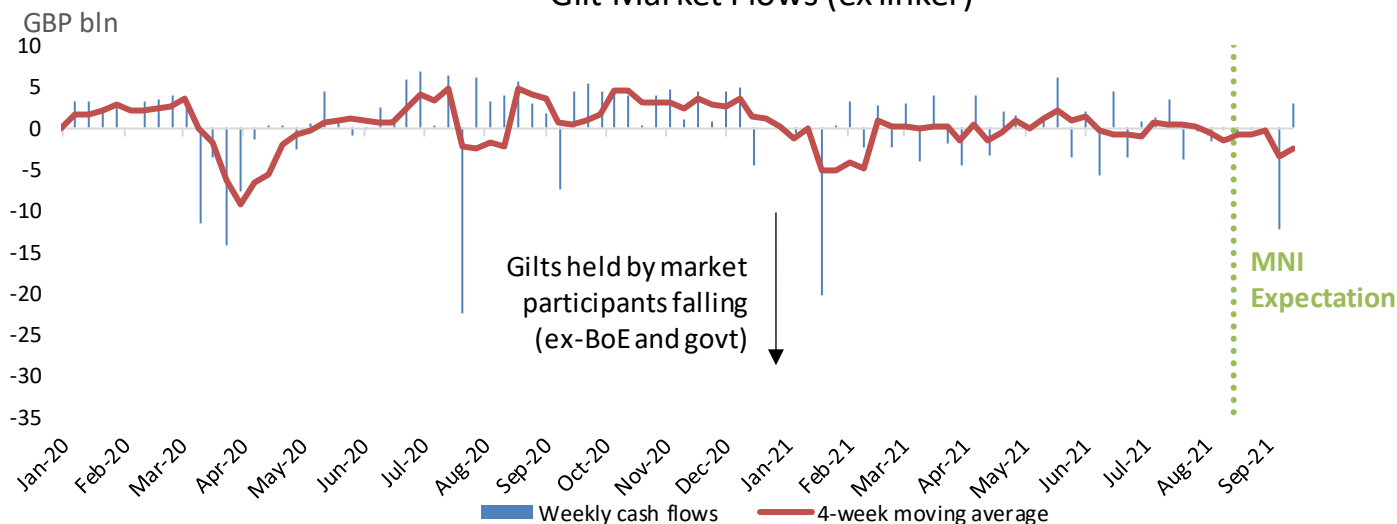
	09 Aug-15 Aug	16 Aug-22 Aug	23 Aug-29 Aug	30 Aug-05 Sep	06 Sep-12 Sep	13 Sep-19 Sep
Issuance - conventional	3.3	2.2	3.4	3.4	5.9	6.3
Issuance - linker	1.2				1.6	
Redemptions ex BoE					12.3	
Redemptions BoE					14.3	
Redemptions linker						
Coupons - conventional ex BoE					2.3	
Coupons - conventional BoE					2.9	
Coupons - Linkers						
Gross BoE purchases	3.4	3.4	3.4	3.4	3.4	3.4
Net flow	1.0	-1.2	-0.1	-0.1	-10.7	2.9
Net flow ex linker	-0.1	-1.2	-0.1	-0.1	-12.2	2.9

Weekly Net Cash Flows ex Redemptions (GBP bln)



QE Tracker

Gilt Market Flows (ex linker)



Gilts in Issue and Fiscal 2021/22 Calendar

Week beginning 16-Aug-2021

Gilts in issue (GBP bln)

Maturity	Type	Coupon	Nom Amount	inc inf uplift	BoE holdings	Govt nom holdings	Mkt holdings*
07-Jun-21	Conventional	8.000	24.6	-	11.3	8.4	4.9
07-Sep-21	Conventional	3.750	29.0	-	14.3	2.4	12.3
07-Mar-22	Conventional	4.000	38.8	-	25.1	2.7	10.9
22-Jul-22	Conventional	0.500	29.3	-	3.2	0.6	25.4
07-Sep-22	Conventional	1.750	29.7	-	5.9	1.4	22.4
22-Nov-22	Linker	1.875	15.7	23.2	-	0.2	23.0
31-Jan-23	Conventional	0.125	33.8	-	-	0.0	33.8
22-Jul-23	Conventional	0.750	33.7	-	14.0	0.6	19.1
07-Sep-23	Conventional	2.250	35.3	-	19.7	1.3	14.3
31-Jan-24	Conventional	0.125	34.1	-	2.9	0.0	31.2
22-Mar-24	Linker	0.125	15.2	19.0	-	0.0	19.0
22-Apr-24	Conventional	1.000	34.2	-	19.6	0.4	14.2
17-Jul-24	Linker	2.500	6.8	21.1	-	0.7	18.8
07-Sep-24	Conventional	2.750	34.4	-	23.5	1.0	9.8
31-Jan-25	Conventional	0.250	4.2	-	3.0	0.0	1.2
07-Mar-25	Conventional	5.000	35.8	-	19.0	8.2	8.6
07-Jun-25	Conventional	0.625	41.4	-	27.6	0.3	13.5
07-Sep-25	Conventional	2.000	38.3	-	26.2	0.9	11.2
30-Jan-26	Conventional	0.125	33.9	-	16.9	0.0	16.9
22-Mar-26	Linker	0.125	13.5	15.8	-	0.0	15.8
22-Jul-26	Conventional	1.500	41.9	-	28.8	0.8	12.3
22-Jul-26	Sukuk	0.333	0.5	-	-	-	0.5
22-Oct-26	Conventional	0.375	16.6	-	4.4	0.0	12.1
22-Jul-27	Conventional	1.250	39.3	-	25.3	0.5	13.5
22-Nov-27	Linker	1.250	14.2	22.1	-	0.2	21.7
07-Dec-27	Conventional	4.250	31.7	-	17.6	6.3	7.7
31-Jan-28	Conventional	0.125	29.8	-	12.9	0.0	16.9
10-Aug-28	Linker	0.125	17.9	19.5	-	0.0	19.5
22-Oct-28	Conventional	1.625	36.3	-	23.5	0.5	12.3
07-Dec-28	Conventional	6.000	19.4	-	8.9	6.0	4.5
22-Mar-29	Linker	0.125	15.5	19.7	-	0.0	19.7
22-Oct-29	Conventional	0.875	41.9	-	28.5	0.3	13.0
22-Jul-30	Linker	4.125	4.8	10.8	-	0.5	9.6
22-Oct-30	Conventional	0.375	37.3	-	22.6	0.0	14.7
07-Dec-30	Conventional	4.750	41.1	-	24.9	5.7	10.5
31-Jul-31	Conventional	0.250	33.3	-	9.1	0.0	24.3
10-Aug-31	Linker	0.125	4.2	4.3	-	0.0	4.3
07-Jun-32	Conventional	4.250	38.7	-	21.1	8.6	9.0
22-Nov-32	Linker	1.250	14.7	20.4	-	0.0	20.4
22-Mar-34	Linker	0.750	14.6	19.0	-	0.0	19.0
07-Sep-34	Conventional	4.500	34.8	-	22.9	2.1	9.8
26-Jan-35	Linker	2.000	9.1	15.8	-	0.8	14.4
31-Jul-35	Conventional	0.625	33.4	-	9.5	0.0	23.9
07-Mar-36	Conventional	4.250	30.4	-	13.9	7.4	9.1
22-Nov-36	Linker	0.125	13.9	16.2	-	0.0	16.2
07-Sep-37	Conventional	1.750	30.7	-	9.7	0.4	20.5
22-Nov-37	Linker	1.125	13.1	19.6	-	0.2	19.3
07-Dec-38	Conventional	4.750	25.7	-	11.3	7.3	7.2
31-Jan-39	Conventional	1.125	7.0	-	0.4	-	6.6
22-Mar-39	Linker	0.125	4.7	4.8	-	-	4.8
07-Sep-39	Conventional	4.250	23.3	-	10.6	1.6	11.0
22-Mar-40	Linker	0.625	14.1	19.7	-	0.0	19.7
07-Dec-40	Conventional	4.250	25.4	-	10.6	1.9	12.8
10-Aug-41	Linker	0.125	12.4	13.5	-	0.0	13.5
22-Oct-41	Conventional	1.250	32.5	-	8.2	0.0	24.2
22-Nov-42	Linker	0.625	12.6	17.9	-	0.0	17.9
07-Dec-42	Conventional	4.500	27.2	-	8.8	6.1	12.4
22-Jan-44	Conventional	3.250	27.9	-	7.4	1.2	19.3
22-Mar-44	Linker	0.125	15.7	19.6	-	0.0	19.6
22-Jan-45	Conventional	3.500	28.2	-	8.8	1.0	18.4
31-Jan-46	Conventional	0.875	13.0	-	4.3	0.0	8.7
22-Mar-46	Linker	0.125	13.5	15.8	-	0.0	15.8
07-Dec-46	Conventional	4.250	24.1	-	7.7	5.8	10.6
22-Jul-47	Conventional	1.500	24.7	-	6.2	0.5	18.0
22-Nov-47	Linker	0.750	11.7	17.0	-	0.1	17.0
10-Aug-48	Linker	0.125	11.8	13.0	-	0.0	13.0
22-Jan-49	Conventional	1.750	29.0	-	18.0	0.2	10.8
07-Dec-49	Conventional	4.250	20.2	-	7.8	2.9	9.5
22-Mar-50	Linker	0.500	12.2	17.3	-	0.0	17.3
22-Oct-50	Conventional	0.625	30.6	-	18.6	0.0	12.0
22-Mar-51	Linker	0.125	3.7	3.8	-	0.0	3.8
31-Jul-51	Conventional	1.250	10.0	-	1.6	0.0	8.4
22-Mar-52	Linker	0.250	12.4	15.5	-	0.0	15.5
22-Jul-52	Conventional	3.750	24.1	-	11.7	1.4	11.1
22-Oct-54	Conventional	1.625	23.6	-	9.9	0.1	13.6
22-Nov-55	Linker	1.250	10.2	16.0	-	0.2	15.7
07-Dec-55	Conventional	4.250	26.6	-	10.1	6.1	10.3
22-Nov-56	Linker	0.125	6.8	7.8	-	0.0	7.8
22-Jul-57	Conventional	1.750	29.5	-	11.1	0.4	18.0
22-Mar-58	Linker	0.125	11.0	13.0	-	0.0	13.0
22-Jan-60	Conventional	4.000	24.1	-	11.9	1.6	10.5
22-Oct-61	Conventional	0.500	18.4	-	5.4	0.0	13.0
22-Mar-62	Linker	0.375	12.5	16.0	-	0.0	16.0
22-Jul-65	Conventional	2.500	19.7	-	5.0	0.5	14.2
22-Nov-65	Linker	0.125	8.1	9.5	-	0.0	9.5
22-Mar-68	Linker	0.125	12.6	15.3	-	0.0	15.3
22-Jul-68	Conventional	3.500	19.9	-	4.8	0.8	14.3
22-Oct-71	Conventional	1.625	20.4	-	10.8	0.2	9.4

* Amounts include estimations of current inflation uplift

*Mkt holdings = Nominal outstanding - BoE holdings - govt holdings

DMO Supply (GBP mln)

Date	Issue	Nom Amount	PAOF	Cash proceeds	Yield	Bid-to-cover	Tail
07-Apr	0.375% Oct-26	3000	394.0	3377	0.468%	2.56	0.3
07-Apr	0.875% Jan-46	2000	-	1808	1.332%	2.54	0.3
08-Apr	0.25% Jul-31	2750	687.5	3220	0.892%	2.97	0.1
13-Apr	1.625% Oct-71	1000	-	1196	1.117%	2.23	0.8
14-Apr	0.125% Mar-51 Linker	600	113.8	1336	-1.979%	2.31	
20-Apr	0.125% Jan-24	3250	812.5	4060	0.150%	2.70	0.2
21-Apr	0.625% Jul-35	2500	625.0	2927	1.105%	2.46	0.2
27-Apr	1.25% Jul-51	6000	-	5908	1.312%		
28-Apr	0.125% Aug-31 Linker	900	213.7	1476	-2.537%	2.82	
05-May	0.25% Jul-31	2750	-	2569	0.924%	2.67	0.1
05-May	0.875% Jan-46	2000	-	1812	1.322%	2.17	0.9
11-May	0.375% Oct-26	3000	283.8	3269	0.457%	2.57	0.2
11-May	0.50% Oct-61	1500	-	1138	1.264%	2.27	0.4
18-May	0.125% Jan-24	3250	812.5	4055	0.189%	2.60	0.1
18-May	1.25% Oct-41	2250	562.5	2742	1.392%	2.49	0.1
19-May	0.625% Jul-35	2500	593.7	2838	1.264%	2.53	0.2
25-May	0.125% Mar-39 Linker	4000	-	6092	-2.245%		
02-Jun	0.25% Jul-31	2750	687.5	3208	0.941%	2.64	0.1
02-Jun	0.875% Jan-46	2000	500.0	2247	1.359%	2.40	0.2
08-Jun	0.375% Oct-26	3000	742.5	3725	0.465%	2.69	0.2
08-Jun	1.625% Oct-71	1250	312.5	1843	1.153%	2.26	0.3
09-Jun	0.125% Aug-31 Linker	1000	172.4	1585	-2.687%	2.77	
15-Jun	0.125% Jan-28	2750	305.3	2975	0.531%	2.50	0.1
15-Jun	1.25% Jul-51	2000	-	1988	1.274%	2.24	0.2
16-Jun	0.625% Jul-35	2750	368.8	2920	1.115%	2.74	0.1
23-Jun	0.125% Nov-65 Linker	400	100.0	1486	-2.042%	2.37	
01-Jul	0.25% Jan-25	3500	732.5	4228	0.281%	2.34	0.1
06-Jul	0.25% Jul-31	2750	687.5	3249	0.819%	2.68	0.1
06-Jul	0.50% Oct-61	1500	366.3	1488	1.127%	2.39	0.2
07-Jul	0.125% Mar-51 Linker	600	101.1	1408	-2.163%	2.41	
13-Jul	1.125% Jan-39	7000	-	7044	1.086%		
20-Jul	1.625% Oct-71	1250	312.5	2048	0.861%	2.51	0.2
27-Jul	0.375% Oct-26	3000	-	3006	0.334%	2.50	0.4
03-Aug	1.25% Jul-51	2000	-	2144	0.972%	2.41	0.5
10-Aug	0.25% Jul-31	2750	687.5	3300	0.864%	2.72	0.1
11-Aug	0.125% Mar-39 Linker	700	5.0	1167	-2.633%	2.27	
17-Aug	0.875% Jan-46	2000					
24-Aug	0.375% Oct-26	3000*					
01-Sep	New Jan-29	3000*					
07-Sep	0.25% Jan-25	3500*					
07-Sep	1.625% Oct-71	1250*					
08-Sep	0.125% Aug-31 Linker	1000*					
14-Sep	0.375% Oct-26	3000*					
15-Sep	0.25% Jul-31	2750*					
21-Sep	Green gilt synd (MNI exp)*	6000*					
22-Sep	0.125% Nov-56 Linker	500*					
28-Sep	1.25% Jul-51	2000*					
05-Oct	Conventional gilt						
06-Oct	Conventional gilt						
12-Oct	Conventional gilt						
13-Oct	IL gilt						
19-Oct	Conventional gilt						
20-Oct	Conventional gilt						
26-Oct	Conventional gilt						
02-Nov	Conventional gilt						
03-Nov	Conventional gilt						
09-Nov	Conventional gilt						
10-Nov	IL gilt						
16-Nov	Conventional gilt						
17-Nov	Conventional gilt						
23-Nov	IL syndication (MNI exp)						
01-Dec	Conventional gilt						
02-Dec	Conventional gilt						
07-Dec	Conventional gilt						
08-Dec	IL gilt						
14-Dec	Conventional gilt						
05-Jan	Conventional gilt						
11-Jan	Conventional gilt						
12-Jan	IL gilt						
18-Jan	Conventional gilt						
19-Jan	Conventional gilt						
25-Jan	Conventional gilt						
26-Jan	IL gilt						
01-Feb	Conventional gilt						
02-Feb	Conventional gilt						
08-Feb	Conventional gilt						
09-Feb	IL gilt						
15-Feb	Conventional gilt						
16-Feb	Conventional gilt						
22-Feb	Long syndication (MNI exp)						
23-Feb	IL gilt						
01-Mar	Conventional gilt						
02-Mar	Conventional gilt						
08-Mar	Conventional gilt						
15-Mar	Conventional gilt						
16-Mar	IL gilt						
22-Mar	Conventional gilt						

*MNI Expenditure

Key Upcoming Dates

23-Aug DMO to hold consultation meetings to discuss October to December gilt issuance

23-Sep BOE Monetary Policy Summary and policy decision at 12:00BST

27-Oct OBR to publish next forecast round

04-Nov BOE Monetary Policy Report, Summary and policy decision at 12:00BST

Purchase Proceeds During Fiscal Year 2021/22

Short-dated Purchases

Gilt	GBP bln
1.00% Apr-24	1.79
2.75% Sep-24	-
0.25% Jan-25	3.00
5.00% Mar-25	-
0.625% Jun-25	3.10
2.00% Sep-25	-
0.125% Jan-26	3.92
1.50% Jul-26	-
0.375% Oct-26	4.42
1.25% Jul-27	3.46
4.25% Dec-27	-
0.125% Jan-28	3.76

Medium-dated Purchases

Gilt	GBP bln
1.625% Oct-28	2.24
6.00% Dec-28	-
0.875% Oct-29	0.85
0.375% Oct-30	3.98
4.75% Dec-30	-
0.25% Jul-31	4.04
4.25% Jun-32	-
4.50% Sep-34	0.71
0.625% Jul-35	4.92
4.25% Mar-36	1.44
1.75% Sep-37	1.90
4.75% Dec-38	0.86
1.125% Jan-39	0.44
4.25% Sep-39	1.30
4.25% Dec-40	0.78

Long-dated purchases

Gilt	GBP bln
1.25% Oct-41	1.16
4.50% Dec-42	0.20
3.25% Jan-44	1.47
3.50% Jan-45	0.99
0.875% Jan-46	2.35
4.25% Dec-46	0.90
1.50% Jul-47	0.68
1.75% Jan-49	0.58
4.25% Dec-49	0.49
0.625% Oct-50	6.88
1.25% Jul-51	1.67
3.75% Jul-52	1.01
1.625% Oct-54	1.24
4.25% Dec-55	0.65
1.75% Jul-57	0.94
4.00% Jan-60	0.45
0.50% Oct-61	0.60
2.50% Jul-65	0.11
3.50% Jul-68	0.25
1.625% Oct-71	0.84

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

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

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
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
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

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	-2.4	0.4	-0.9	1.2

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

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

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

June 2021 Issuance/Purchases

	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	-	2.4	3.3	4.4	1.4	5.7
Net	-	-2.4	3.4	1.8	-1.4	0.3

July 2021 Issuance/Purchases

	0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO issuance	-	4.2	3.0	3.2	7.0	3.5
BoE purchases	-	2.1	2.5	3.3	1.3	4.6
Net	-	2.2	0.5	-0.0	5.7	-1.1

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	3.3	-	4.3
BoE purchases	-	2.9	1.7	4.5	1.2	4.6
Net	-	-2.9	1.7	-1.2	-1.2	-0.3

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	-	3.9	3.4	6.3	-	4.3
BoE purchases	-	2.6	3.2	3.5	1.1	5.7
Net	-	1.4	0.2	2.9	-1.1	-1.4