

# Gilt Week Ahead

20 June 2022, Tim Davis

Last week saw some big volatility in UK rates markets (although relative to the moves seen in US and European markets last week, sterling markets were relatively stable!) The most important domestic event was the change in language from the Bank of England, removing explicit time-dependent forward guidance and replacing it with language that leaves the door open to hikes of a different scale – opening the door to 50bp from the wider MPC. Market pricing in the aftermath of the meeting moved to price around 60bp for August (i.e. fully pricing a 50bp hike with a 40% probability of August), but as we argue in the MNI BOE Review, we think the real probability should be closer to 25bp being fully priced with a 60% probability of a 50bp hike.

There are three main data points that we think will be absolutely pivotal: the two inflation prints and the next labour market data release. The first of these comes this week on Wednesday with the release of May CPI data. Economists are generally split between 9.0-9.2%Y/Y for headline (from 9.0% in April) while core is expected to come in anywhere between 5.9-6.3%Y/Y in an unusually large range. This was 6.2%Y/Y in April, so 13/23 economists in the Bloomberg survey expect a lower core CPI print in May than April.

In addition to inflation data on Wednesday, the week ahead also sees the release of retail sales data on Friday. This will give us the best picture yet of the state of the consumer in May, but is unlikely to really make a huge difference in isolation to the MPC's views of tightening.

The week ahead will see scheduled appearances from the MPC's Haskel and Mann today. Haskel will be speaking at a TechUK Policy Leadership Conference so it is questionable whether he will be answering any questions on monetary policy. Catherine Mann is due to appear in an MNI Connect webinar. [There is a link to register here](#) in what should be a very interesting event. Note that Mann is one of the more hawkish members of the MPC having consistently been among the members voting for a 50bp hike.

Pill is due to speak tomorrow and on Friday (but he spoke on Friday last week so again it is unlikely if he will say anything new at either event). Cunliffe is due to speak on cryptocurrencies on Wednesday (and probably won't address monpol in a meaningful way) while Haskel is due to speak on Friday at Chatham House on the global economic system. His comments are likely to be interesting too, in our view.

## Supply Preview

### *1.125% Oct-73 syndication*

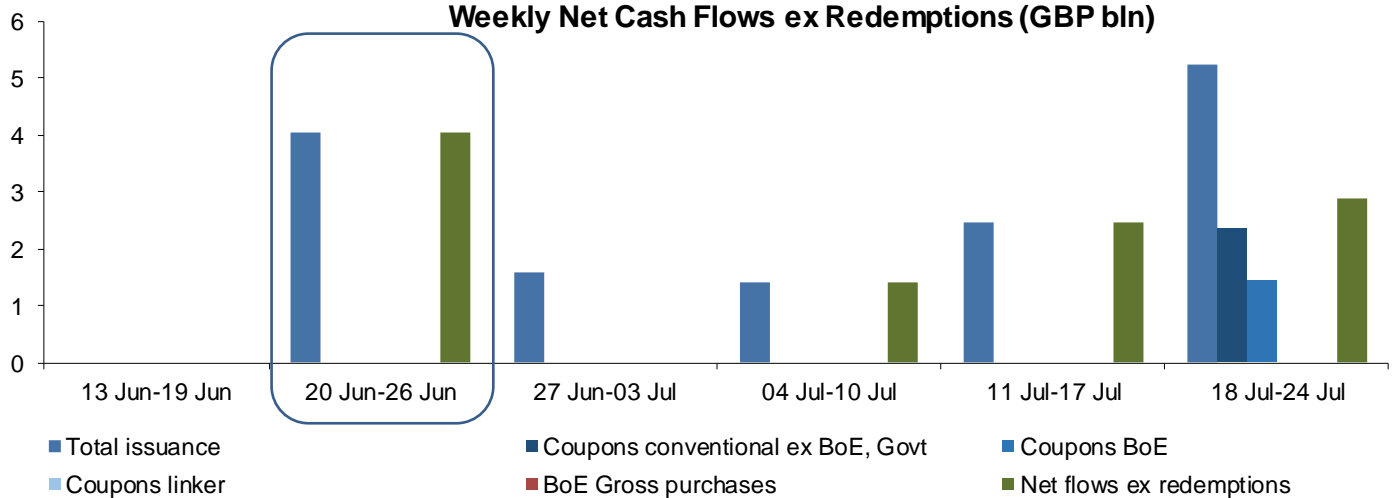
The DMO is due to come to the market this week to hold a syndicated tap of the 50-year 1.125% Oct-73 gilt. This will be the first reopening of the gilt that was launched around 4 and a half months ago for GBP4.25bln nominal with books of GBP40.4bln. Given that the DMO will be looking to sell GBP13bln across three long-dated syndications in the FY22/23, we look for a nominal size at this week's syndication of GBP6-7bln. Despite the recent large moves in gilt markets, we expect relatively strong demand at this week's syndication, particularly from domestic pension funds. We would expect the transaction to take place on Tuesday this week.

## Gilt Issuance, Redemption and Cash Flow Matrix

Net Cash Flow Matrix (GBP bln)

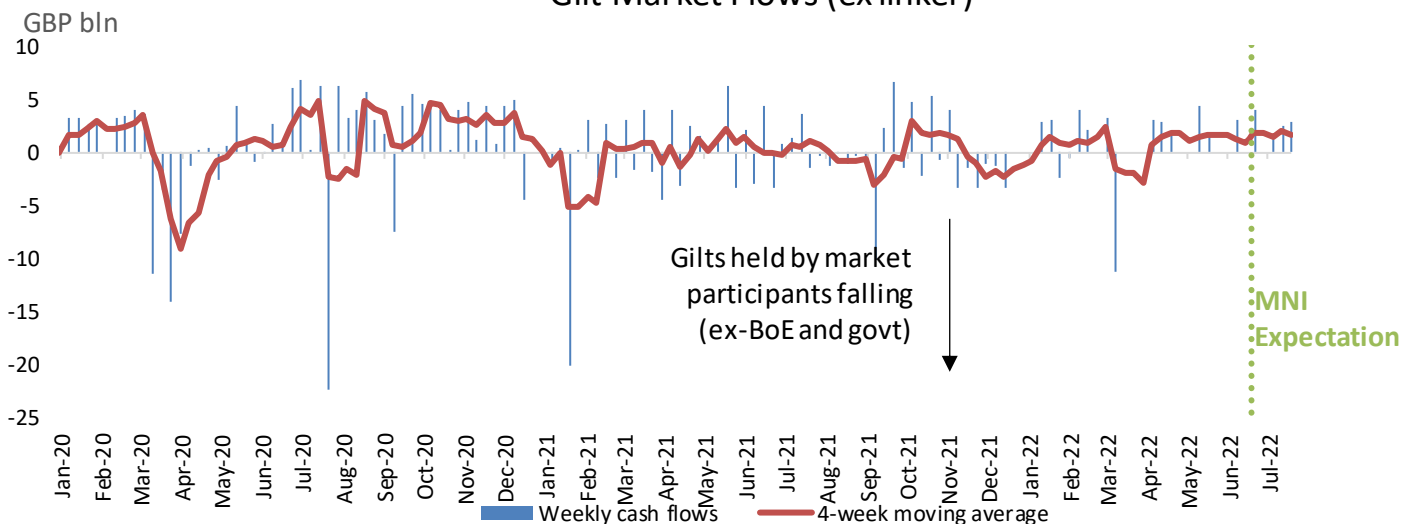
	13 Jun-19 Jun	20 Jun-26 Jun	27 Jun-03 Jul	04 Jul-10 Jul	11 Jul-17 Jul	18 Jul-24 Jul
Issuance - conventional		4.1		1.4	2.4	5.2
Issuance - linker			1.6			
Redemptions ex BoE						
Redemptions BoE						
Redemptions linker						
Coupons - conventional ex BoE						2.3
Coupons - conventional BoE						1.5
Coupons - Linkers						
Gross BoE purchases						
Net flow		4.1	1.6	1.4	2.4	2.9
Net flow ex linker		4.1		1.4	2.4	2.9

Weekly Net Cash Flows ex Redemptions (GBP bln)



## QE Tracker

Gilt Market Flows (ex linker)



## Gilts in Issue and Fiscal Calendar

Week beginning 20-Jun-2022

## Gilts in issue (GBP bln)

Maturity	Type	Coupon	Nom Amount	inc inf uplift	BoE nom holdings	Govt nom holdings	Mkt holdings*
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	25.3	-	0.2	25.0
31-Jan-23	Conventional	0.125	33.8	-	-	0.0	33.8
22-Jul-23	Conventional	0.750	34.0	-	14.0	0.6	19.5
07-Sep-23	Conventional	2.250	35.6	-	19.7	1.3	14.6
31-Jan-24	Conventional	0.125	34.4	-	2.9	0.0	31.5
22-Mar-24	Linker	0.125	15.2	20.8	-	0.0	20.8
22-Apr-24	Conventional	1.000	34.5	-	19.6	0.4	14.5
17-Jul-24	Linker	2.500	6.8	22.0	-	0.7	19.6
07-Sep-24	Conventional	2.750	34.7	-	23.5	1.0	10.1
31-Jan-25	Conventional	0.250	20.0	-	6.0	0.0	13.9
07-Mar-25	Conventional	5.000	36.2	-	19.0	8.2	8.9
07-Jun-25	Conventional	0.625	41.7	-	28.8	0.3	12.6
07-Sep-25	Conventional	2.000	38.7	-	26.2	0.9	11.5
30-Jan-26	Conventional	0.125	34.2	-	21.9	0.0	12.3
22-Mar-26	Linker	0.125	13.5	17.2	-	0.0	17.2
22-Jul-26	Conventional	1.500	42.3	-	28.8	0.8	12.7
22-Jul-26	Sukuk	0.333	0.5	-	-	-	0.5
22-Oct-26	Conventional	0.375	31.9	-	10.1	0.0	21.7
22-Jul-27	Conventional	1.250	39.7	-	27.1	0.5	12.0
22-Nov-27	Linker	1.250	14.2	24.1	-	0.2	23.7
07-Dec-27	Conventional	4.250	32.0	-	17.6	6.3	8.0
31-Jan-28	Conventional	0.125	30.1	-	16.7	0.0	13.3
10-Aug-28	Linker	0.125	17.9	21.2	-	0.0	21.2
22-Oct-28	Conventional	1.625	36.7	-	25.2	0.5	11.0
07-Dec-28	Conventional	6.000	19.6	-	8.9	6.0	4.7
31-Jan-29	Conventional	0.500	14.2	-	1.7	-	12.5
22-Mar-29	Linker	0.125	15.5	21.5	-	0.0	21.5
22-Oct-29	Conventional	0.875	42.2	-	28.6	0.3	13.3
22-Jul-30	Linker	4.125	4.8	11.3	-	0.5	10.0
22-Oct-30	Conventional	0.375	37.7	-	23.7	0.0	14.0
07-Dec-30	Conventional	4.750	41.5	-	24.9	5.7	10.8
31-Jul-31	Conventional	0.250	39.4	-	13.6	0.0	25.7
10-Aug-31	Linker	0.125	7.4	8.3	-	0.0	8.3
31-Jan-32	Conventional	1.000	10.8	-	-	-	10.8
07-Jun-32	Conventional	4.250	39.1	-	21.1	8.6	9.3
22-Nov-32	Linker	1.250	14.7	22.3	-	0.0	22.3
31-Jul-33	Green gilt	0.875	12.3	-	0.8	-	11.6
22-Mar-34	Linker	0.750	14.6	20.7	-	0.0	20.7
07-Sep-34	Conventional	4.500	35.1	-	22.9	2.1	10.1
26-Jan-35	Linker	2.000	9.1	16.4	-	0.8	15.0
31-Jul-35	Conventional	0.625	33.7	-	14.1	0.0	19.6
07-Mar-36	Conventional	4.250	30.7	-	14.9	7.4	8.4
22-Nov-36	Linker	0.125	13.9	17.7	-	0.0	17.7
07-Sep-37	Conventional	1.750	31.0	-	11.5	0.4	19.0
22-Nov-37	Linker	1.125	13.1	21.4	-	0.2	21.0
07-Dec-38	Conventional	4.750	26.0	-	11.5	7.3	7.2
31-Jan-39	Conventional	1.125	11.9	-	1.1	0.0	10.8
22-Mar-39	Linker	0.125	5.6	6.2	-	0.0	6.2
07-Sep-39	Conventional	4.250	23.5	-	11.3	1.6	10.5
22-Mar-40	Linker	0.625	14.1	21.5	-	0.0	21.5
07-Dec-40	Conventional	4.250	25.6	-	11.3	1.9	12.4
10-Aug-41	Linker	0.125	12.4	14.7	-	0.0	14.7
22-Oct-41	Conventional	1.250	32.8	-	10.0	0.0	22.7
22-Nov-42	Linker	0.625	12.6	19.5	-	0.0	19.5
07-Dec-42	Conventional	4.500	27.5	-	9.6	6.1	11.7
22-Jan-44	Conventional	3.250	28.2	-	8.4	1.2	18.6
22-Mar-44	Linker	0.125	15.7	21.4	-	0.0	21.4
22-Jan-45	Conventional	3.500	28.5	-	9.4	1.0	18.2
31-Jan-46	Conventional	0.875	17.6	-	6.1	0.0	11.5
22-Mar-46	Linker	0.125	13.5	17.3	-	0.0	17.3
07-Dec-46	Conventional	4.250	24.3	-	8.1	5.8	10.5
22-Jul-47	Conventional	1.500	24.9	-	6.8	0.5	17.6
22-Nov-47	Linker	0.750	11.7	18.6	-	0.1	18.5
10-Aug-48	Linker	0.125	11.8	14.2	-	0.0	14.2
22-Jan-49	Conventional	1.750	29.3	-	18.5	0.2	10.6
07-Dec-49	Conventional	4.250	20.4	-	7.9	2.9	9.6
22-Mar-50	Linker	0.500	12.2	18.9	-	0.0	18.9
22-Oct-50	Conventional	0.625	30.9	-	21.5	0.0	9.5
22-Mar-51	Linker	0.125	4.8	5.4	-	0.0	5.4
31-Jul-51	Conventional	1.250	18.1	-	4.7	0.0	13.3
22-Mar-52	Linker	0.250	12.4	16.9	-	0.0	16.9
22-Jul-52	Conventional	3.750	24.3	-	12.2	1.4	10.8
31-Jul-53	Green gilt	1.500	6.1	-	0.9	-	5.2
22-Oct-54	Conventional	1.625	23.8	-	10.8	0.1	12.9
22-Nov-55	Linker	1.250	10.2	17.5	-	0.2	17.1
07-Dec-55	Conventional	4.250	26.8	-	10.4	6.1	10.3
22-Nov-56	Linker	0.125	7.1	8.9	-	0.0	8.9
22-Jul-57	Conventional	1.750	29.8	-	11.9	0.4	17.5
22-Mar-58	Linker	0.125	11.0	14.1	-	0.0	14.1
22-Jan-60	Conventional	4.000	24.3	-	12.1	1.6	10.6
22-Oct-61	Conventional	0.500	20.2	-	6.0	0.0	14.2
22-Mar-62	Linker	0.375	12.5	17.5	-	0.0	17.5
22-Jul-65	Conventional	2.500	19.9	-	5.2	0.5	14.2
22-Nov-65	Linker	0.125	8.1	10.3	-	0.0	10.3
22-Mar-68	Linker	0.125	12.6	16.7	-	0.0	16.7
22-Jul-68	Conventional	3.500	20.1	-	5.0	0.8	14.4
22-Oct-71	Conventional	1.625	23.4	-	11.4	0.2	11.8
22-Mar-73	Linker	0.125	2.9	3.1	-	-	3.1
22-Oct-73	Conventional	1.125	4.3	-	-	-	4.3

\* 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
01-Sep 0.50% Jan-29		2500	359.0	2843	0.575%	2.30	0.3
07-Sep 0.25% Jan-25		3250	-	3250	0.250%	2.81	0.2
07-Sep 1.625% Oct-71		1250	-	1618	0.895%	2.23	0.1
08-Sep 0.125% Aug-31 Linker		1000	10.7	1431	-3.009%	2.33	
14-Sep 0.375% Oct-26		3000	-	2992	0.429%	2.67	0.2
15-Sep 0.25% Jul-31		2500	357.9	2725	0.740%	2.52	0.2
21-Sep 0.875% Jul-33 Green		10000	-	10003	0.872%		
22-Sep 0.125% Nov-56 Linker		350	-	933	-2.289%	2.12	
28-Sep 1.25% Jul-51		2000	-	1960	1.332%	2.05	1.1
05-Oct 0.25% Jan-25		3000	-	2976	0.491%	2.51	0.3
05-Oct 1.125% Jan-39		2250	38.1	2206	1.359%	2.08	0.4
06-Oct 0.50% Jan-29		2500	625.0	3026	0.948%	2.21	0.3
12-Oct 0.50% Oct-61		1250	312.5	1127	1.414%	2.54	0.2
13-Oct 0.125% Jul-51 Linker		500	67.4	1185	-2.261%	2.37	
20-Oct 0.25% Jul-31		2250	562.5	2581	1.144%	2.65	0.2
21-Oct 1.50% Jul-53 Green		6000	-	6133	1.413%		
26-Oct 0.375% Oct-26		2750	-	2694	0.789%	2.16	1.0
02-Nov 0.25% Jan-25		3000	-	2958	0.690%	1.96	0.8
02-Nov 1.625% Oct-71		1250	283.8	1965	0.921%	2.13	0.7
03-Nov 0.50% Jan-29		2500	-	2432	0.887%	2.40	0.5
10-Nov 0.125% Aug-31 Linker		900	-	1311	-3.242%	2.25	
16-Nov 0.875% Jan-46		1750	420.4	2032	1.178%	2.03	1.0
23-Nov 0.125% Mar-73 Linker		1100	-	3915	-2.388%		
01-Dec 1.00% Jan-32		2250	-	2268	0.918%	2.23	1.9
07-Dec 1.25% Jul-51		1500	375.0	2060	0.871%	2.42	1.0
11-Jan 0.375% Oct-26		3000	-	2914	0.988%	2.37	0.3
18-Jan 0.50% Jan-29		2500	625.0	2997	1.105%	2.39	0.4
26-Jan 0.125% Mar-51 Linker		600	-	1250	-2.191%	2.04	
08-Feb 1.125% Oct-73		4250	-	3990	1.287%		
15-Feb 1.00% Jan-32		2250	-	2127	1.598%	2.51	0.7
02-Mar 0.25% Jan-25		3250	-	3185	0.952%	1.91	2.5
08-Mar 1.25% Jul-51		1500	375.0	1730	1.580%	2.31	0.4
15-Mar 0.125% Aug-31 Linker		1200	39.4	1771	-2.829%	2.30	

## Fiscal Year 2022/23

05-Apr 0.375% Oct-26	3250	-	3088	1.518%	2.34	0.5
12-Apr 1.00% Jan-32	2500	625.0	2868	1.925%	2.64	0.2
20-Apr 1.125% Jan-39	2000	500.0	2137	2.162%	2.95	0.2
26-Apr 0.125% Mar-73 Linker	1800	-	4517	-1.645%		
10-May 0.875% Jul-33 Green	2250	-	2007	1.951%	2.37	1.6
11-May 0.50% Jan-29	2500	-	2320	1.636%	2.48	1.2
17-May 1.25% Jul-51	1750	437.5	1809	2.040%	2.91	0.2
24-May 0.125% Mar-39 Linker	750	97.7	1245	-1.670%	2.13	
07-Jun 0.25% Jan-25	3000	75.0	2941	1.951%	2.24	1.0
08-Jun 1.00% Jan-32	2500	625.0	2776	2.296%	2.85	0.2
21-Jun 1.125% Oct-73 (synd)	6500*					
28-Jun 0.125% Aug-31 Linker	1100*					
05-Jul 1.25% Jul-51	1750*					
12-Jul 1.00% Jan-32	2500*					
19-Jul 1.125% Jan-39	2000*					
21-Jul 0.25% Jan-25	3250*					
27-Jul 0.125% Mar-51 Linker	600*					
02-Aug 1.00% Jan-32	2500*					
09-Aug 1.25% Jul-51	1750*					
16-Aug 0.50% Jan-29	2500*					
23-Aug 0.125% Mar-39 Linker	750*					
01-Sep 0.875% Jan-46	1750*					
06-Sep 0.25% Jan-25	3250*					
07-Sep 1.00% Jan-32	2500*					
Sep 1.50% Jul-53 Green (syn)	4000*					
27-Sep 0.125% Aug-31 Linker	1100*					
04-Oct Conventional						
12-Oct Conventional						
18-Oct Conventional						
25-Oct Index-linked						
01-Nov Conventional						
08-Nov Conventional						
15-Nov Conventional						
01-Dec Conventional						
06-Dec Conventional						
07-Dec Index-linked						
13-Dec Conventional						
05-Jan Conventional						
10-Jan Conventional						
17-Jan Conventional						
24-Jan Index-linked						
01-Feb Conventional						
07-Feb Conventional						
14-Feb Conventional						
21-Feb Conventional						
01-Mar Index-linked						
07-Mar Conventional						
14-Mar Conventional						
21-Mar Conventional						
28-Mar Index-linked						

\* Auction date could be cancelled to accommodate syndication timing