

MNI Gilt Issuance Expectations for FQ2

13 May 2021, Tim Davis

The DMO will hold its quarterly consultation on Monday 17 May ahead of releasing its issuance calendar for FQ2 (July to September) at 7:30BST on Friday 28 May.

We set out our preliminary thoughts in our [May Deep Dive publication](#) and we have refined these expectations in light of the consultation agenda.

Shorts (5 auctions in FQ2)

0.375% Oct-26: The DMO has said it expects at least two reopenings of the 5-year benchmark, but we would expect three. Given the gaps between auctions there is an outside chance that we see four reopenings of the 5-year benchmark (1 July, 27 July, 24 August, 14 September).

0.125% Jan-24 / New Jan-25 gilt: We think that a new 3-year gilt will issued in either July or September, with a likely maturity of January 2025. We think that the 7 September auction will probably be used for the new 3-year issue. We also see a chance that the 0.125% Jan-24 gilt is reopened in one of the July auctions (1/27 July).

Mediums (4 auctions in FQ2)

0.25% Jul-31: We continue to expect monthly openings of the benchmark 10-year gilt (probably 6 July, 10 August, 15 September).

New Jul-36: Our base case is that a new 15-year gilt is launched via syndication in late June/early July in the long-dated category (see below) and then is reopened as a medium on 1 September. If a different maturity gilt is chosen to be sold via syndication we think the 15-year gilt could be launched via auction on 1 September instead.

Longs (1 syndication, 6 auctions in FQ2)

Syndication: The DMO has said that is plans to launch a new 15-22 year gilt in either late June or July. We note that there is only one short-dated auction scheduled for the W/C 28 June and there are no auctions scheduled for W/C 19 July. We had originally pencilled in a green syndication for Tuesday 20 July and think that the DMO would prefer to use Tuesday 29 June if green gilt issuance will be ready to be launched by 20 July.

We continue to think that a 15-year 2036 gilt is the most likely candidate for the syndication, although note that 2039 would fill a gap on the curve for a current coupon gilt. 2043 also looks attractive from filling gaps on the curve, but we think this would probably be too close in maturity to the 2046 gilt that is being built up.

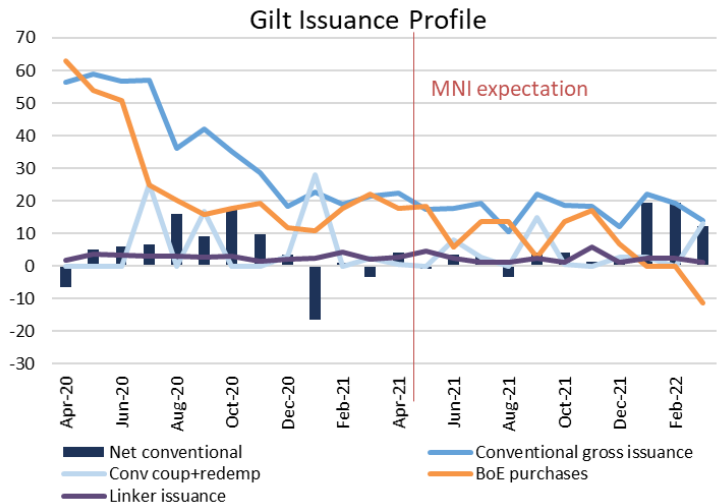
1.25% Oct-41: We think that the new green gilt will be launched with a 20-year maturity and with the 1.25% Oct-41 gilt already built up to a substantial size, the DMO will focus on building up its other current coupon gilts. If we are wrong about the maturity for the new green gilt, there is a chance we see one auction of the 1.25% Oct-41 gilt.

0.875% Jan-46: Two reopenings of the 25-year gilt. We pencil in 6 July and 17 August.

1.25% Jul-51: Two reopenings of the 30-year gilt. We look for 3 August and 7 September.

0.50% Oct-61: One auction, probably 13 July.

1.625% Oct-71: One auction, likely 28 September.



Assume BoE purchases continue at current pace until end of May and complete by mid-December with reinvestment at GBP1.48bln per operation for the 4.00% Mar-22 gilt..

Linkers (4 auctions in FQ2)

0.125% Aug-31 linker: 1-2 auctions: We expect 11 August and potentially one of the September auctions.

0.125% Sep-39 linker: One auction in September.

0.125% Mar-51 linker: One reopening of the 30-year likely on 7 July.

Other auction: We have less conviction surrounding the issue for the other September auction which could either be another reopening of the 10-year 0.125% Aug-31 linker or could be an ultra-long maturity linker.

Green Gilt Issuance (possibly pushing back to September)

- The first green gilt will be issued in the summer. We had previously pencilled in a date for a syndicated launch on 20 July, but we now think that the DMO might not be quite ready to pull the trigger for the launch that early.
- We note that the other obvious date to hold a syndication in the quarter would be the W/C 21 September when all that is scheduled is a single index-linked auction.
- A minimum of GBP15bn of green gilts will be issued in FY21/22.
- The GBP15bn will initially come from the “unallocated” bucket, but the DMO has confirmed that following the launch of the first green gilt, a separate green bucket will be included in the remit.
- As [DMO Head Robert Steeman told our policy team](#), the intention is to create a green gilt curve – not to just issue one green gilt.
- The DMO is also being careful not to cannibalise demand for existing gilts, so the MNI Markets team does not expect green gilts to be maturity and coupon matched with existing gilts (as Green Bobls/Green Bunds are in Germany).
- We would expect the first green gilt issue to be around the 20-25 year area (we favour a maturity of 2043, or possibly 2039 given the gaps in the gilt curve).
- We also think that there is a decent chance that a further green gilt syndication is held later in the fiscal year of either 10-year or 30-year maturity.

mni UK Issuance Profile

2021/22 Issuance: Cash Proceeds

	2021/22	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total	Target	% Target	Remaining
Conventional	Ultra-short	4.06	-	-	-	-	-	-	-	-	-	-	-	4.1	72.0	14.9	17
	Short	3.38	3.27	-	-	-	-	-	-	-	-	-	-	6.6			
	Medium	6.15	2.57	-	-	-	-	-	-	-	-	-	-	8.7	53.5	16.3	17
	Long 15-28YR	1.81	1.81	-	-	-	-	-	-	-	-	-	-	3.6			
	Long 29-40YR	-	1.14	-	-	-	-	-	-	-	-	-	-	1.1	56.7	10.5	23
	Long 41YR+	1.20	-	-	-	-	-	-	-	-	-	-	-	1.2			
	Synd (Long)	5.91	-	-	-	-	-	-	-	-	-	-	-	5.9	16.5	35.8	2
Tender:	-	-	-	-	-	-	-	-	-	-	-	-	-				
Total conventional	22.5	8.8	-	-	-	-	-	-	-	-	-	-	-	31.3	198.7	15.7	
Index-linked	Medium	1.48	-	-	-	-	-	-	-	-	-	-	-	1.5			
	Long 15-28YR	-	-	-	-	-	-	-	-	-	-	-	-	-	19.4	14.5	14
	Long 29-40YR	1.34	-	-	-	-	-	-	-	-	-	-	-	1.3			
	Long 41YR+	-	-	-	-	-	-	-	-	-	-	-	-	-			
	Syndication:	-	-	-	-	-	-	-	-	-	-	-	-	-	9.0	-	2
	Tender:	-	-	-	-	-	-	-	-	-	-	-	-	-			
Total linker	2.8	-	-	-	-	-	-	-	-	-	-	-	-	2.8	28.4	9.9	
Green														-	15.0	-	
Unallocated															10.5		
Total	25.3	8.8	-	-	-	-	-	-	-	-	-	-	-	34.1	252.6	13.5	

2020/21 Issuance: Cash Proceeds

	2020/21	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Conventional	Ultra-short	4.05	7.66	4.27	7.28	4.08	3.26	3.26	-	-	-	3.25	4.37	41.5
	Short	18.98	11.80	21.91	19.60	10.48	6.88	10.08	10.32	7.72	3.26	3.01	3.13	127.2
	Medium	14.29	10.23	14.45	16.89	12.68	10.02	11.60	9.54	5.71	9.65	5.47	5.54	126.1
	Long 15-28YR	5.17	2.55	3.18	3.16	3.18	5.31	2.19	2.73	2.44	-	2.10	5.31	37.3
	Long 29-40YR	10.57	7.95	4.27	9.95	5.73	2.29	6.36	6.16	2.36	3.41	3.56	2.97	65.6
	Long 41YR+	-	-	-	-	-	-	1.75	-	-	-	1.47	-	3.2
	Synd (Medium)	-	12.03	-	-	-	8.06	-	-	-	-	-	-	20.1
Synd (Long)	-	6.78	8.67	-	-	6.12	-	-	-	6.51	-	-	28.1	
Tender:	3.36	-	-	-	-	-	-	-	-	-	-	-	3.4	
Total conventional	56.4	59.0	56.7	56.9	36.1	42.0	35.3	28.8	18.2	22.8	18.9	21.3	452.4	
Index-linked	Medium	1.95	2.08	1.96	1.08	1.83	1.76	1.53	-	1.67	1.41	-	1.17	16.5
	Long 15-28YR	-	-	1.57	1.90	-	-	1.53	1.45	-	-	-	-	6.5
	Long 29-40YR	-	1.51	-	-	1.17	1.09	-	-	-	-	-	0.83	4.6
	Long 41YR+	-	-	-	-	-	-	-	-	-	1.07	-	-	1.1
	Syndication:	-	-	-	-	-	-	-	-	-	-	4.27	-	4.3
	Tender:	-	-	-	-	-	-	-	-	0.52	-	-	-	0.5
Total linker	2.0	3.6	3.5	3.0	3.0	2.9	3.1	1.5	2.2	2.5	4.3	2.0	33.4	
Total	58.4	62.6	60.3	59.9	39.1	44.8	38.3	30.2	20.4	25.3	23.1	23.3	485.8	

2019/20 Issuance: Cash Proceeds

	2019/20	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Conventional	Short	3.49	3.02	3.06	3.37	3.04	3.07	3.47	3.48	3.42	3.27	3.49	6.82	43.0
	Medium	3.28	-	3.16	3.19	-	2.84	3.24	2.86	3.20	6.03	3.56	3.80	35.2
	Long 15-28YR	2.29	-	-	2.42	-	-	-	2.55	-	2.59	-	-	9.8
	Long 29-40YR	-	-	2.43	-	2.64	-	-	2.64	2.31	-	-	2.71	12.7
	Long 41YR+	-	-	-	-	-	-	-	-	-	-	-	-	-
	Synd (Long)	-	4.78	-	-	-	4.62	-	-	-	-	3.21	-	12.6
	Tender:	-	-	-	-	0.88	-	-	-	-	-	0.51	-	1.4
Total conventional	9.1	7.8	8.6	9.0	6.6	10.5	9.3	9.0	8.9	11.9	10.8	13.3	114.8	
Index-linked	Medium	-	1.84	-	-	1.73	-	1.44	-	-	1.37	-	1.65	8.0
	Long 15-28YR	-	-	-	-	-	-	1.62	-	-	-	1.34	-	3.0
	Long 29-40YR	-	-	1.31	-	-	1.16	-	-	0.92	-	-	-	3.4
	Syndication:	-	-	-	4.19	-	-	-	3.60	-	-	-	-	7.8
	Tender:	0.48	-	-	-	-	-	-	-	-	0.48	-	-	1.0
	Total linker	0.5	1.8	1.3	4.2	1.7	1.2	3.1	3.6	0.9	1.8	1.3	1.7	23.1
Unallocated:														
Total	9.5	9.6	10.0	13.2	8.3	11.7	12.3	12.6	9.9	13.7	12.1	15.0	137.9	

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	25.02
2.00% Sep-25	6.46
0.125% Jan-26	15.03
1.50% Jul-26	13.42
0.375% Oct-26	1.49
1.25% Jul-27	9.35
4.25% Dec-27	-
0.125% Jan-28	3.79

Medium-dated Purchases

Gilt	GBP bln
1.25% Jul-27	5.99
4.25% Dec-27	-
0.125% Jan-28	6.26
1.625% Oct-28	17.72
6.00% Dec-28	-
0.875% Oct-29	28.30
0.375% Oct-30	21.02
4.75% Dec-30	6.94
0.25% Jul-31	6.14
4.25% Jun-32	1.88
4.50% Sep-34	7.04
0.625% Jul-35	5.78
4.25% Mar-36	3.74
1.75% Sep-37	8.80
4.75% Dec-38	1.50
4.25% Sep-39	1.92
4.25% Dec-40	1.35

Long-dated purchases

Gilt	GBP bln
4.25% Dec-40	1.68
1.25% Oct-41	8.32
4.50% Dec-42	1.53
3.25% Jan-44	2.39
3.50% Jan-45	4.63
0.875% Jan-46	2.09
4.25% Dec-46	2.18
1.50% Jul-47	3.69
1.75% Jan-49	17.55
4.25% Dec-49	3.92
0.625% Oct-50	12.82
1.25% Jul-51	-
3.75% Jul-52	7.26
1.625% Oct-54	10.87
4.25% Dec-55	2.75
1.75% Jul-57	10.94
4.00% Jan-60	6.54
0.50% Oct-61	4.41
2.50% Jul-65	5.79
3.50% Jul-68	4.48
1.625% Oct-71	10.36

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

April 2020 Issuance/Purchases

	0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO issuance	4.1	7.8	11.1	17.6	2.7	13.0
BoE purchases	-	9.7	11.3	18.4	2.6	21.0
Net	4.1	-1.9	-0.1	-0.7	0.1	-8.0

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

May 2020 Issuance/Purchases

	0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO issuance	7.7	4.0	7.8	22.3	-	17.3
BoE purchases	-	9.3	8.7	16.9	1.1	18.0
Net	7.7	-5.3	-0.9	5.3	-1.1	-0.7

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

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	5.5	1.8	7.4
Net	4.4	-5.1	0.8	-0.0	-1.8	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	1.4	5.9
Net	4.1	-3.1	0.6	1.6	-1.4	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 (MNI Estimates)

	0-3 years	3-5 years	5-7 years	7-15 years	15-20 years	20+ years
DMO issuance	3.6	-	3.3	5.1	-	5.4
BoE purchases	-	3.2	1.7	4.2	0.7	4.9
Net	3.6	-3.2	1.6	0.9	-0.7	0.5

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	-	-	6.3	5.4	-	5.4
BoE purchases	-	3.5	2.2	4.5	1.2	5.7
Net	-	-3.5	4.1	0.9	-1.2	-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

Note: We assume there are no changes to the BoE purchase pace.

Source for all: MNI, DMO, Bank of England

