

# Gilt Week Ahead

21 November 2022, Tim Davis

Last week saw some mixed data with CPI, wage data and consumer confidence data all surprising to the upside while the unemployment rate and retail sales ex fuel data were disappointing. We also saw the Autumn Statement, which saw a larger than expected reduction in this year's expected cost of the energy price guarantee but less fiscal restraint over the next couple of years with next year's CGNCR higher than most analysts had expected due to the backloaded nature of the government's spending plans. This afternoon, the DMO will release the agenda for its January to March issuance. [We outlined our expectations alongside a reaction to the Autumn Statement in the UK in our Deep Dive document here.](#)

In terms of events for the week ahead, we will receive PMI data on Wednesday and fiscal data on Tuesday (with the latter a lot less relevant given the gilt remit has just been updated for the year. There are also a number of potentially interesting speeches by MPC members this week. The highlights will be a lecture from Huw Pill on Wednesday evening on "Returning inflation to target: delivering on the policy imperative?" and then the Bank of England Watchers' Conference on Thursday. This will see Ramsden give a speech "That was the year that was", Pill sit on a panel entitled "Asset purchases" and Mann on a panel entitled "Inflation". There is also a speech from Cunliffe on Monday morning, but this is less likely to focus on monpol with the focus on central bank digital currencies.

This week we also expect to receive details of the Bank's plan to begin sales of its long-dated gilts and linkers that it bought as part of its "Temporary" purchase programme in October. Last week a meeting was held with GEMMs where a number of interesting questions were tabled (see the Minutes [here](#)) but at present there is still little known on the parameters of the programme other than that it will be demand-led.

The weekend news has been dominated by a Times story in which it describes a potential for a "Swiss-style" trade agreement with the EU. [See the full story here.](#)

## Supply Previews

### *0.125% Mar-73 linker syndication*

The DMO will come to the market this week to hold its final linker syndication of the year. The 0.125% Mar-73 I/L gilt will be on offer, and we expect the transaction to take place on Tuesday. The DMO reduced the size of the linker syndication bucket on Thursday, leaving GBP2.0bln in cash terms remaining. This would equate to a transaction in nominal terms of around GBP1.3bln. This will be the third syndication of the 0.125% Mar-73 linker. It was launched a year ago with a nominal GBP1.8bln sold (GBP3.9bln in cash terms) and reopened in April for GBP1.8bln nominal (GBP4.5bln in cash terms). So this week's transaction will be much smaller than the previous transactions in cash terms. Those transactions saw nominal book sizes of GBP17.7bln and GBP20.5bln respectively.

### *0.25% Jan-25 auction*

The DMO will return to the market for on Wednesday with GBP3.5bln nominal of the 0.25% Jan-25 gilt on offer. This will be the ninth auction of the gilt after it was launched in July 2021. Tails have been variable for this gilt ranging from 0.1-2.5bp, although the three auctions in this fiscal year have seen tails of 1.0bp, 0.5bp and 0.9bp respectively. Bid-to-covers have ranged from 1.91x-2.81x, but the last couple of auctions have seen 2.53x and 2.57x. We would expect healthy demand given the demand for shorter-dated gilts has been strong recently.

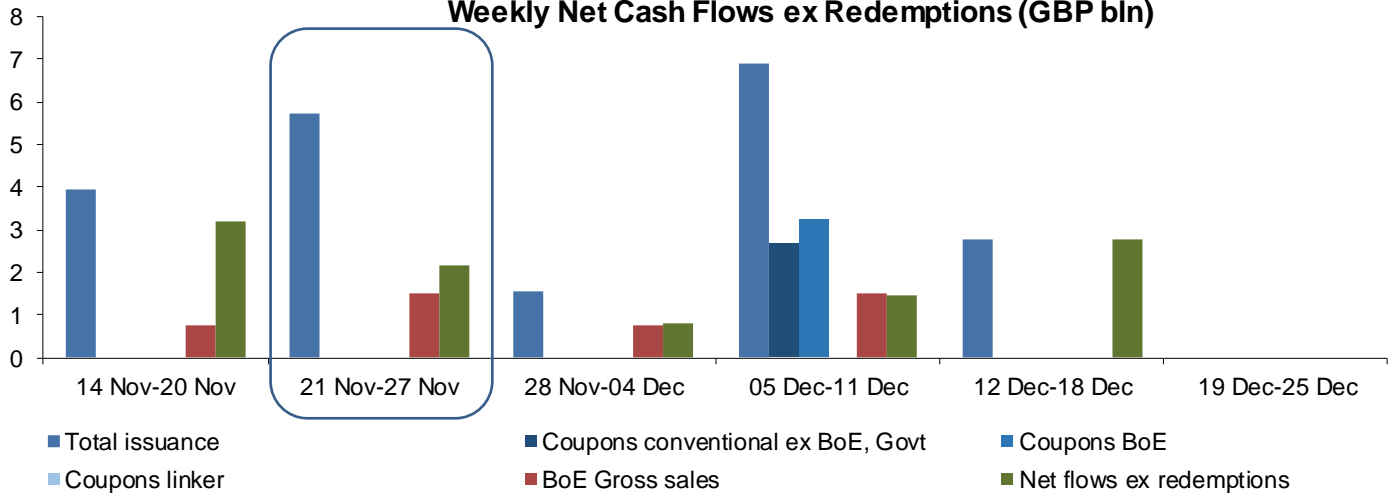
## Gilt Issuance, Redemption and Cash Flow Matrix



Net Cash Flow Matrix (GBP bln)

	14 Nov-20 Nov	21 Nov-27 Nov	28 Nov-04 Dec	05 Dec-11 Dec	12 Dec-18 Dec	19 Dec-25 Dec
Issuance - conventional	3.9	3.7	1.5	5.6	2.8	
Issuance - linker		2.0		1.3		
Redemptions ex BoE						
Redemptions BoE						
Redemptions linker						
Coupons - conventional ex BoE				2.7		
Coupons - conventional BoE				3.2		
Coupons - Linkers						
Gross BoE sales	0.7	1.5	0.8	1.5		
Net flow	4.7	7.2	2.3	5.7	2.8	
Net flow ex linker	4.7	5.2	2.3	4.4	2.8	

Weekly Net Cash Flows ex Redemptions (GBP bln)



## QE Tracker

Gilt Market Flows (ex linker)

