SUBJECT:	**TREASURY MANAGEMENT AND PRUDENTIAL CODE – QUARTERLY UPDATE**
DIRECTORATE:	**CHIEF EXECUTIVE & TOWN CLERK**
REPORT AUTHOR:	**LAURA SHIPLEY, FINANCIAL SERVICES MANAGER**

1. Purpose of Report

1.1 The purpose of this report is to summarise and review the Council's treasury management activity and the prudential indicators at 31st December 2023.

1.2 CIPFA's new edition of the Code of Practice for Treasury Management (2021) recommends that Councillors should be informed of Treasury Management activities quarterly (previously twice a year). This report, therefore, ensures this Council is embracing best practice for the scrutiny of capital and investment activity in accordance with the Code of Practice (CIPFA).

2. Executive Summary

2.1 The Treasury Management position and performance results for the 9 months ended 31st December 2023 are set out in the body of the report & Appendix A (prudential Indicators).

2.2 Approved limits - Officers can confirm that the approved limits within the Annual Treasury Management Strategy were not breached during the quarter ended 31st December 2023.

3. Background

3.1 The prudential system for capital expenditure is well established. One of the requirements of the Prudential Code is to ensure adequate monitoring of the capital expenditure plans, prudential indicators (PIs) and treasury management response to these plans. This report fulfils that requirement and includes a review of compliance with Treasury and Prudential Limits and the Prudential Indicators at 31st December 2023. The current Treasury Management Strategy and Prudential Indicators were approved by Council on 28th February 2023.

3.2 The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code and the above requirements. These require that the prime objective of treasury management activity is the effective management of risk, and that its borrowing activities are undertaken in a prudent, affordable and sustainable basis.

3.3 This report highlights the changes to the key prudential indicators, to enable an overview of the current status of the capital expenditure plans. It incorporates any new or revised schemes previously reported to Members. Changes required to the residual prudential indicators and other related treasury management issues are also included.

4. Treasury Management Update

4.1 Investment Portfolio

4.1.1 The Council held £28.315m of investments as at 31st December 2023 achieving an average interest rate of 5.64% (2.10% 22/23). Actual interest earned in the 9 months period to 31st December 2023 totalled £1.440m.

4.1.2 Due to increases in the Bank of England base rate since budget setting, forecast interest income for the year is £1.76m (£0.66m General Fund & £1.10m HRA), an overachievement of income of £1.29m against the £0.47m budget.

4.1.3 As at 31st December 2023, 89% of the council's investment portfolio was held in low risk specified investments, the requirement for the year being a minimum of 25% of the portfolio to be specified investments. The remaining 11% of the portfolio was held in non-specified investments (with other local authorities).

4.1.4 Where possible the council seeks sustainable investments and are working with our advisors on the best way to score banks and funds ESG ratings, whilst balancing this against generating returns that are in the best interest of the tax payer.

4.1.5 Liquidity – The Council seeks to maintain liquid short-term deposits of at least £5m available with a week's notice. During Q3 there was a short period where liquid funds dipped slightly below this level, no short term borrowing was necessary as fixed term investments were due to mature to bring liquidity back to normal operating levels. At 31st December 2023 the Council held liquid short term deposits of £11.315m.

4.1.6 Security - The Council's maximum security risk benchmark for the portfolio as at 31st December 2023 was 0.010%, based on the historic risk of default of the counterparties and types of accounts in which the council's funds are place – this equates to a potential loss of £0.003m on an investment portfolio of £28.315m. This represents a very low risk investment portfolio.

4.1.7 Yield – The Council achieved an average return of 4.98% on its investment portfolio for the 9 months ended 31st December 2023. This is comparable to the average SONIA rate for the quarter, of 4.88%.

4.1.8 The table below highlights the level of investment activity and the rates obtained as at 31st December 2023. Investments were made in line with Link's approved counterparty list.

INVESTMENTS	PRINCIPAL £	RATE %	PERIOD DAYS
Lloyds Bank Corporate Market - NRFB	3,000,000	5.78	184
Goldman Sachs	2,000,000	5.78	186
Goldman Sachs	3,000,000	5.92	183
Babergh District Council	3,000,000	5.75	364
SMBC Bank International Plc	2,000,000	5.70	182
Lloyds Bank Corporate Market - NRFB	2,000,000	5.61	182
Close Brothers	2,000,000	5.55	183
Total Fixed Short term Investments	**17,000,000**		
Aberdeen Standard Liquidity Fund	5,585,000	5.30	Call
Federated Short-Term Sterling Prime Fund	5,730,000	5.38	Call
Total Money Market Fund Investments	**11,315,000**		
Total Investments / Average Rate	**28,315,000**	5.64	

4.2 Borrowing

4.2.1 In accordance with the Local Government Act 2003, the Council has a statutory duty to determine and keep under review how much it can afford to borrow. Therefore, the Council establishes 'Affordable Borrowing Limits' (or Authorised Limit) as part of the Prudential Indicators within the approved treasury management strategy.

4.2.2 The 'authorised limit' and 'operational boundary' indicators govern the maximum level of external borrowing to fund the capital programme and short-term cash flow. See Appendix A.

4.2.3 At 31st December 2023 the Council held £109.243 million of external borrowing, of which 100% were fixed rate loans (See table below).

Borrowing Type	Lender	Outstanding Loans (£)	No Of Loans	Ave Rate %
PWLB	PWLB	95,742,569	32	3.55
LA Borrowing	North Kesteven District Council	2,000,000	1	2.05
Market Loans	Barclays	10,000,000	4	4.24
	Depfa	1,500,000	1	4.45
Total/ Ave Rate		**109,242,569**	**38**	**3.61**

4.3 Treasury Indicators

4.3.1

Maturity structure of fixed rate borrowing -	Upper Limit %	Lower Limit %	Actual %	Estimated position 31/03/24 £'000
Under 12 months	40%	0%	2%	2,225
12 months to 2 years	40%	0%	1%	1,128
2 years to 5 years	60%	0%	5%	5,723
5 years to 10 years	80%	0%	12%	13,184
10 years +	100%	10%	80%	86,983
Total				**109,243**

Limits for long-term treasury management investments	£7m

4.3.2 As at 31st December 2023, the average rate of interest paid during the first 3 quarters of the year on external borrowing was 3.26%.

4.3.3 As part of the Treasury Management Strategy, the Council established a range of Prudential Indicators (in accordance with professional practice) to monitor both Treasury and Capital as the two are intrinsically linked. Details of the performance against the Prudential Indicators can be found at Appendix A. See comments below.

i. Capital Expenditure – Appendix A shows the revised estimates for capital expenditure that have been approved by or are subject to approval since the Council approved the original budget in February 2023.
ii. The Capital Financing Requirement (CFR) – Appendix A shows the Capital Financing Requirement, which is the Council's underlying need to borrow for a capital purpose. It also shows the expected debt position over the period (Operational Boundary).
iii. Financing costs to net revenue stream – improved position anticipated due to increased interest rates generating higher returns.
iv. Actual External Debt – Forecasting less than the original budget due to utilising internal resources and not undertaking borrowing while rates are high.

4.3.4 The Council is currently under-borrowed against the CFR, and whilst the Council has adequate cash balances it employs internal resources until cash flow forecasts indicates the need for additional borrowing or rates are available that reduce the cost of carrying debt. Whilst PWLB borrowing offers preferential rates compared with the market loans, with higher discounts for those with a Housing Revenue Account, rates have increased during the last couple of years and forecasts show that they will remain elevated from what we have seen in previous years for some time. £12.7m of borrowing has matured during 2023/24 which is not being replaced while interest rates remain high.

4.3.5 Following a demand for an increased rate, a LOBO loan of £4.5m was repaid during Q3. This was replaced in its entirety using preferential PWLB borrowing rates, lower than that of the original loan.

4.3.6 The HRA borrowing requirement is considered independently from that of the General Fund. Further borrowing is anticipated and will be reported as part of the MTFS and Treasury Management Strategy.

4.4 Economic Update

The current economic update from the Council's treasury advisors (LINK) can be found in Appendix B.

5. Strategic Priorities

5.1 <u>One Council</u>

Through its Treasury Management Strategy, the Council seeks to reduce the amount of interest it pays on its external borrowing and maximise the interest it achieves on its investments.

6. Organisational Impacts

6.1 Finance

The financial implications are covered in the main body of the report.

6.2 Legal Implications including Procurement Rules

The powers for a local authority to borrow and invest are governed by the Local Government Act 2003 (LGA 2003) and associated Regulations. A local authority may borrow or invest for any purpose relevant to its functions, under any enactment, or for the purpose of the prudent management of its financial affairs. The Regulations also specify that authorities should have regard to the CIPFA Treasury Management Code and the DLUCH Investment Guidance when carrying out their treasury management functions.

6.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination;
- Advance equality of opportunity;
- Foster good relations between different people when carrying out their activities.

Due to the nature of the report, there are no direct equality, diversity, or human rights implications.

7. Risk Implications

7.1 The Local Government Act 2003, the Prudential Code and the Treasury Management Code of Practice include a key principle that an organisations appetite for risk is included in their annual Treasury Management Strategy and this should include any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing.

8. Recommendations

8.1 Members are asked to:

a) note the Prudential and Treasury Indicators and the actual performance against the Treasury Management Strategy 2023/24 for the quarter ended 31st December 2023, and;

b) consider any specific recommendations to be referred to the Executive relating to the contents of this report.

Is this a key decision?	No
Do the exempt information categories apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
How many appendices does the report contain?	Two
List of Background Papers:	Treasury Management Strategy 2023/24 (Approved by Council February 2023)
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Appendix A

PRUDENTIAL INDICATORS

Indicator No.	Indicator	2023/24 Original Estimate (OE) £'000	2023/24 OE inc. Year End Adj 's £'000	2023/24 Q3 Revised Estimate £'000
1 & 2	Capital Expenditure - General Fund	14,114	21,252	15,333
1 & 2	Capital Expenditure - HRA	16,462	22,174	16,120
3 & 4	Capital Financing Requirement (CFR) - General Fund	74,148	74,308	71,461
3 & 4	Capital Financing Requirement (CFR) - HRA	78,803	78,803	79,395
5	Actual External Debt	109,897	109,897	109,242
6	Gross Debt and the CFR – Under Borrowing	43,054	43,214	41,614
7	Operational Boundary for External Debt	121,097	121,097	120,442
8	Authorised Limit for External Debt	125,642	125,530	125,039
9 &10	Financing Costs to Net Revenue Stream - General Fund	14.35%		11.11%
9 &10	Financing Costs to Net Revenue Stream - HRA	28.33%		26.21%
Local 5	Net Income from Commercial and Service Investments to Net Revenue Stream	10.82%		11.7%

Glossary Of Terms

The Authorised Limit – This represents the limit beyond which borrowing is prohibited and needs to be set and revised by members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

The Operational Boundary – This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. CIPFA anticipate that this should act as an indicator to ensure the authorised limit is not breached.

Appendix B

Economic Update from LINK (the Council's treasury advisors)

- The third quarter of 2023/24 saw:
  - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
  - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS "experimental" rate of unemployment has remained low at 4.2%;
  - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
  - Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
  - The Bank of England holding rates at 5.25% in November and December;
  - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.

- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.

- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.

- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.

- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with only marginal falls showing year on year on the Halifax (-1%) and Nationwide (-1.8%) indices. However, the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.

- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.

- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.

- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.

- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.

- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time". In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.

- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.

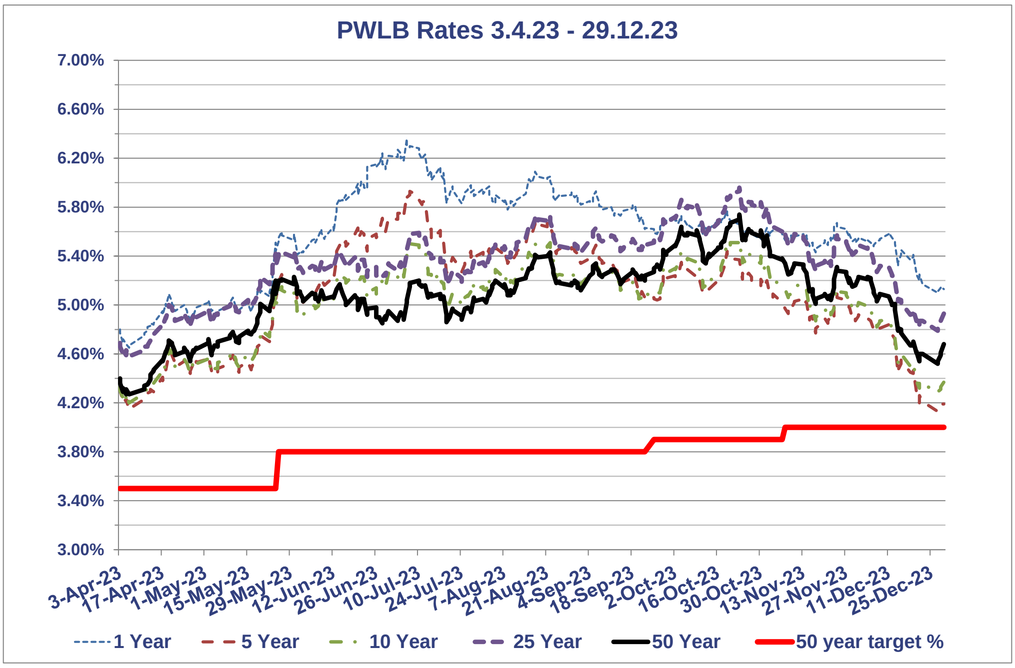
- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% at the time of writing, with further declines likely if the falling inflation story is maintained.

- Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from $1.21 in November to $1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.

- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.

PWLB RATES 3.4.23 - 29.12.23



MPC meetings 2nd November and 14th December 2023

- On 2nd November, the Bank of England's Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14th December reiterated that view.f Both increases reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about "sticky" inflation remained in place.
- Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way

ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.

- In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

Interest rate forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View 07.11.23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

- LIBOR and LIBID rates ceased at the end of 2021. In a continuation of previous views, money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.

- The Link forecast for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- Our central forecast for interest rates was previously updated on 7th November and reflected a view that the MPC would be keen to underpin its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are unequivocally supportive of such a move, and that there is a strong likelihood of the overall economy enduring tepid growth (at best) or a mild recession (at worst) over the coming months.

- Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

- On the positive side, consumers are still anticipated to be sitting on some excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing a little better at this stage of the economic cycle than may have been expected. Nonetheless, with approximately 400,000 households per quarter facing a mortgage interest reset at higher levels than their current rate, the economy will face on-going headwinds from that source, in addition to lower income households having to spend disproportionately on essentials such as food, energy and rent payments.

PWLB RATES

- As illustrated in the charts in section 1, gilt yields have endured a volatile nine months with yields rising significantly on the back of inflation concerns before retracing much of those increases in November and December. With the market now anticipating rate cuts by H2 2024, the short and medium parts of the curve are now close to where they started 2023/24, but the longer part of the curve is still a little higher. At the time of writing there is c50 basis points difference between the 5 and 50 year parts of the curve.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).

- The Bank of England has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- Geopolitical risks, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran, and North Korea, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- Despite the recent tightening to 5.25%, the Bank of England proves too timid in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.

- The pound weakens because of a lack of confidence in the UK Government's pre-election fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Longer-term US treasury yields rise strongly if inflation remains more stubborn there than the market currently anticipates, consequently pulling gilt yields up higher.

- Projected gilt issuance, inclusive of natural maturities and Quantitative Tightening (QT), could be too much for the markets to comfortably digest without higher yields compensating.