Long-dated bond yields rise as Bank of England doubles potential value of daily gilt purchases

The Bank of England has announced it is doubling the value of UK government bonds it can buy up as it enters the final days of its emergency bond buying programme in an effort to support the pension market and allay fears of a cliff edge ending.

The Bank said it was now ready to buy £10bn worth of bonds a day, double the £5bn a day it **announced on 28 September** – a measure it said would end on 14 October.

The government bonds, called gilts, are used by the state to raise funds.

What are bonds, how are they different to gilts and where do they fit in the mini-budget crisis?

The Bank announced its temporary and emergency buying programme of long-dated gilts, that are to be repaid in 20 to 30 years time, in the wake of chancellor Kwasi Kwarteng's **mini-budget** announcement.

Market turmoil that stemmed from the mini-budget led to an **unprecedented intervention** from the regulator to prevent part of the **pension market collapsing** as the cost of interest on gilts surged.

The so-called yield fell back at the time of the Bank's intervention but has risen steadily since.

More on Bank Of England



Bank of England official criticises government’s mini budget action – as sidelined OBR creates more ‘uncertainty’



Bank of England confirms it took action to stabilise pensions market after chancellor’s tax-cutting mini-budget



Renewed focus on pension fund investment strategy following Bank of England’s intervention in gilt market

Related Topics:

- Bank Of England
- UK economy

Yields on 20 and 30-year gilts jumped by nearly 30 basis points on Monday, approaching their levels during the worst of the market rout last month at 4.9% and 4.7% respectively.

To date only £5bn has been spent across eight days of the thirteen-day bond buy up, the Bank said on Monday.

Advertisement
The emergency **measure** was taken to reduce the risk "from contagion to credit conditions for UK households and businesses", the Bank added.

Now it has said it is prepared to increase the amount it buys until the measure ends on Friday, using the money it had set aside for the programme, £65bn, to do so.

Spreaker
Due to your consent preferences, you're not able to view this.
Open Privacy Options
Click to subscribe to the Sky News Daily wherever you get your podcasts

The announcement will be seen as an effort to calm the market and avoid fears that the market will react again when programme ends.

In a further effort to support the pensions market while not extending the bond buying programme, the Bank has announced a new, temporary yet open-ended measure to help banks facing liquidity issues in dealing with the **corner of the pensions market** that had experienced difficulties.

It emerged later in the day that the Bank bought £853.1m of long-dated bonds on Monday, its most since 30 September but far fewer than the £10bn worth it had said it was open to buying.

A total of £262.6m of offers were rejected.

Read more:

Bank of England official criticises government’s mini budget action – as sidelined OBR creates more ‘uncertainty’

It’s not clear which policy tipped markets over the edge – or which one Chancellor can reverse to put the genie back in the bottle