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# LDI Monthly Update

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Strategy Update  
**Liability-Driven  
Investing**

**November 2023**

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- Growing market confidence of peak in UK base rate
  - 30-year nominal gilt yield sees weekly close above 5% for first time since 2002
  - Latest UK inflation prints below recent BoE forecast

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## Market Commentary

Market expectations that the UK base rate has reached its peak for this cycle grew through October, with the terminal rate falling under 5.3%, a further 10 bp lower than the level forecasted at the end of September, and over 100 bp lower than the peak projected by markets just a few months ago. Gilt yields at the front of the curve fell modestly MoM, with 5-year yields dropping just under 5 bp.

Longer-tenor yields continued their grind higher, however, with the 30-year nominal gilt yield seeing its first weekly close above 5% since 2002, before closing the month slightly lower at 4.97%. Markets will be closely watching the Chancellor's Autumn Statement on 22 November, which may be accompanied by an issuance remit revision from the UK Debt Management Office (DMO).

The latest UK headline Consumer Price Index (CPI) print for September came in modestly above expectations, remaining stable at the 6.7% YoY level also seen in August. The print, however, was two-tenths below the Bank of England's (BoE) latest projection released in August, with services CPI and core CPI inflation (which excludes more volatile components such as food and energy) also printing below the recent BoE forecasts.

In line with market expectations, the DMO has confirmed a new 2043 nominal gilt will be issued by syndication, scheduled for the week commencing 13 November.

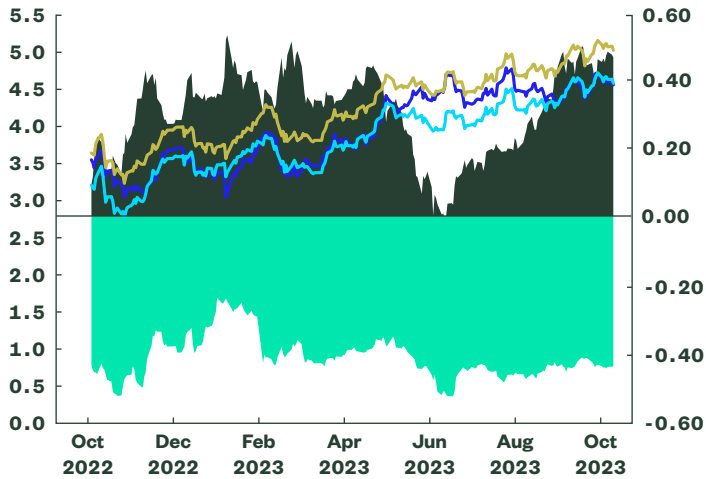
Figure 1 Market Moves

31 October 2023	Gilt Yields		OIS Swaps		Swap Spreads		Gilt Real Yields		Gilt Breakeven		RPI Swaps		Iota Spread	
	%	CoM (bp)	%	CoM (bp)	bp	CoM (bp)	%	CoM (bp)	%	CoM (bp)	%	CoM (bp)	bp	CoM (bp)
5yr	4.46	-4.4	4.51	-9.5	49.3	-11.1	0.61	12.3	3.85	-16.7	4.14	-11.9	28.6	4.8
10yr	4.51	7.4	4.37	1.4	-22.6	-4.9	0.75	16.3	3.76	-8.8	3.85	-7.9	9.4	0.9
30yr	4.97	7.7	4.31	9.5	-60.1	2.7	1.55	8.1	3.41	-0.8	3.39	-1.2	-1.8	-0.4
50yr	4.53	7.9	4.08	8.6	-41.0	2.5	1.16	9.7	3.38	-1.8	3.30	-0.4	-7.9	1.4
10s30s	0.46	0.3	-0.05	8.1	-37.5	7.6	0.80	-8.2	-0.35	8.0	-0.46	6.7	-11.2	-1.3
30s50s	-0.44	0.3	-0.24	-0.9	19.1	-0.2	-0.39	1.6	-0.04	-1.0	-0.10	0.8	-6.1	1.8

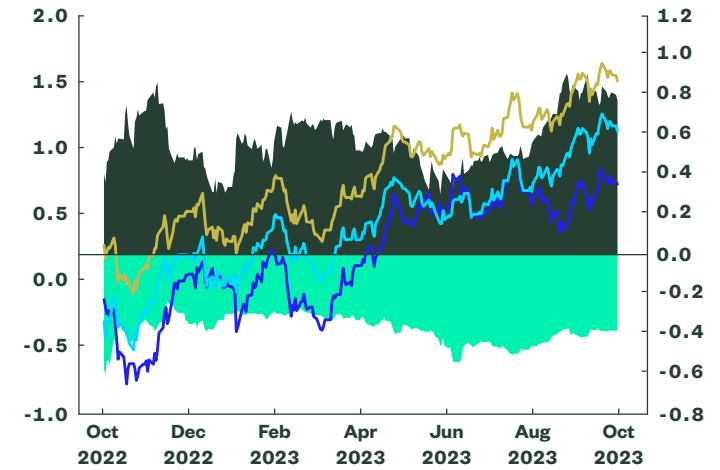
Source: Bloomberg, State Street Global Advisors, as at 31 October 2023. Past performance is not a reliable indicator of future performance.

Figure 2 Market Curves

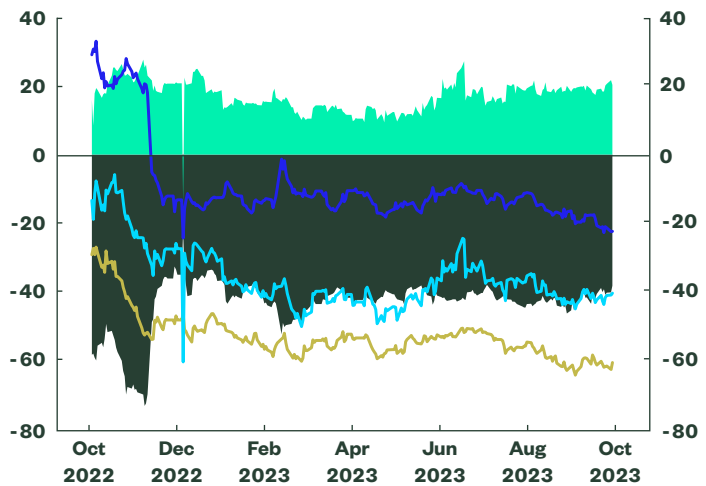
Nominal Gilt Yields (%)



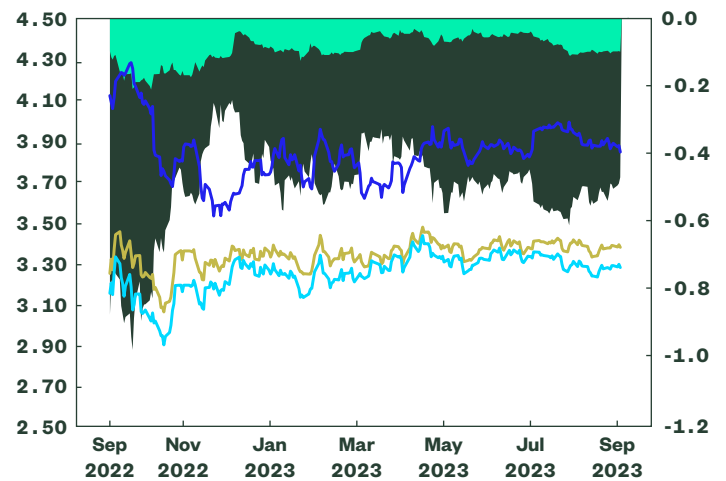
Real Gilt Yields (%)



OIS Swap Spreads (bp)



RPI Swaps (%)



10s30s (RHS) 30s50s (RHS) 10yr 30yr 50yr

Source: Bloomberg, State Street Global Advisors, as at 31 October 2023. Past performance is not a reliable indicator of future performance.

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