

GBP Report

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Recent market developments

Latest developments

Figure 1 shows the (cumulative) changes in 2y, 5y and 10y OIS rates over the past 60 days.

Evolving market pricing and OIS curves

Providing some context for those latest developments, Figure 2 shows how GBP OIS curves have evolved over time, alongside Bank Rate.

Figure 3 zooms-in on how OIS curves and Bank Rate have evolved over the past year.

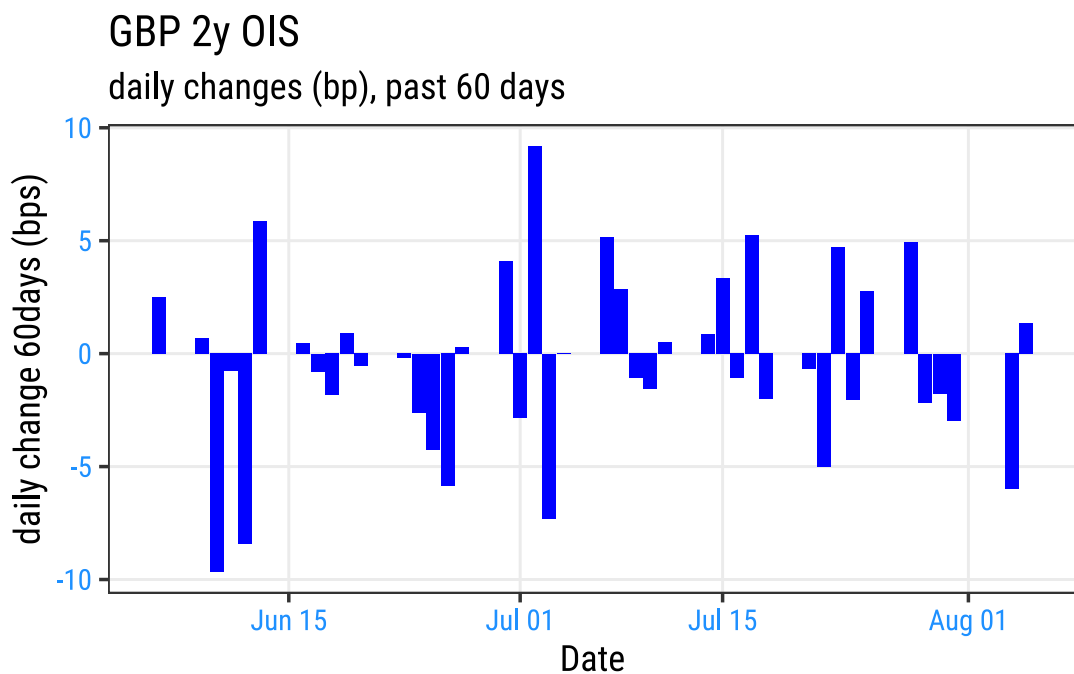
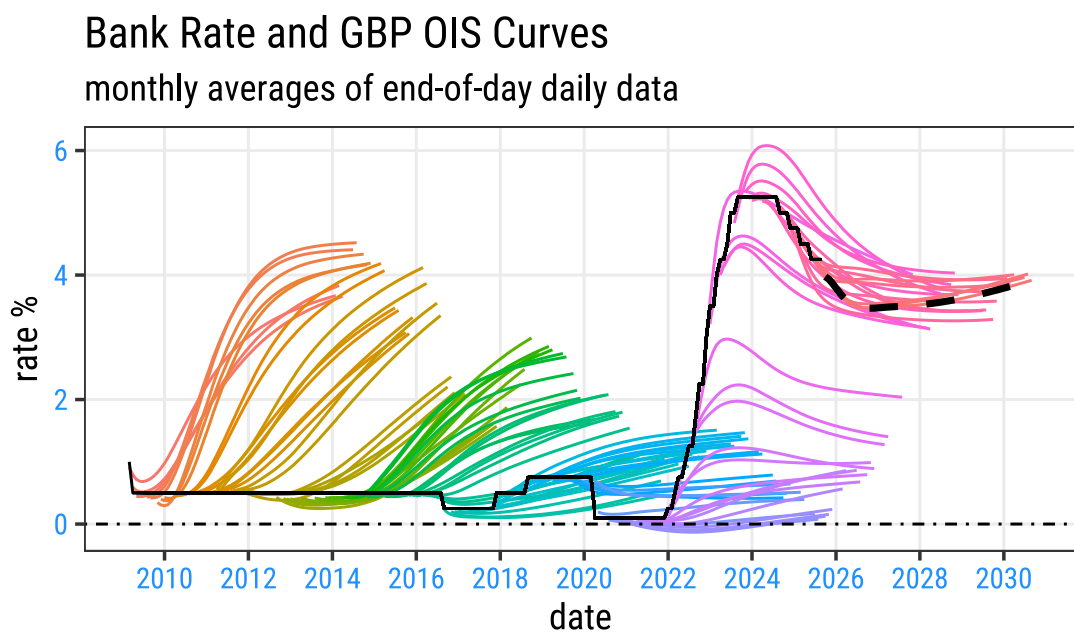


Figure 1: 2y OIS, changes

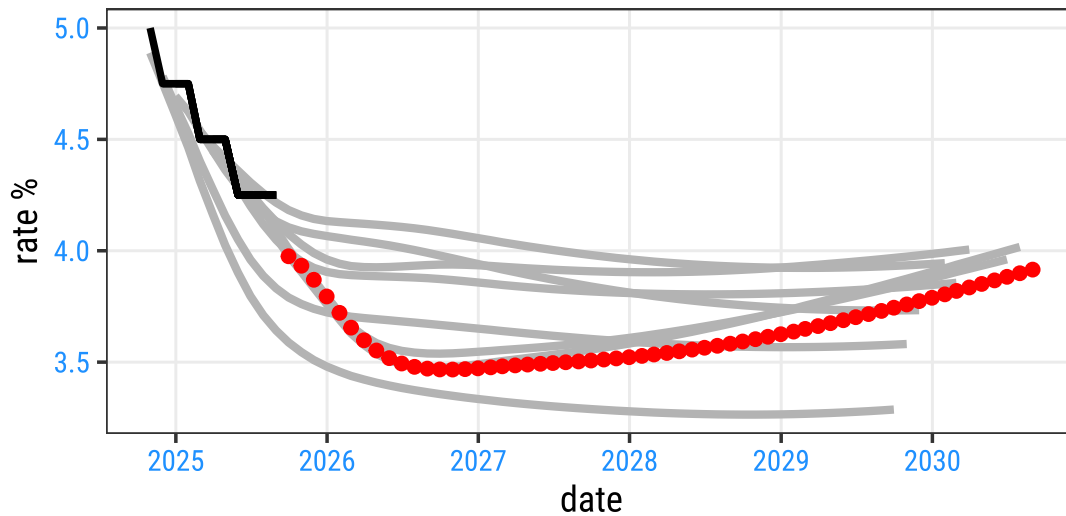


Source: Bank of England data

Figure 2: Evolution of GBP OIS curves

GBP OIS Curves: The past 12 months

monthly averages of end-of-day daily data



Source: Bank of England data

Figure 3: More Recent Evolution of GBP OIS curves

Term spreads: latest developments

2y5y spreads 2y10y spreads 10y30y spreads

Market reactions and macro news at BoE policy events

Analysing monetary policy shocks

In this section, we review market reactions to BoE policy events, and how these reactions relate to macro news digested by markets at those BoE policy events.

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Evolving macro forecasts and macro news

How has the MPC's own assessment of the macro outlook evolved?

Medium-term Over the past decade or more, the MPC has tended to revise higher its forecasts for inflation, revise its outlook for unemployment lower, without an obvious bias in

its forecasts for GDP growth. This points to a pattern of the BoE having had to respond to negative supply shocks, updating its assessments in the light of that repeated pattern.

The weakness of productivity growth, negative terms of trade shocks (e.g. Brexit, Covid, Ukraine), and the impact of these on real incomes, have all contributed to this pattern of revisions and evolving macro forecasts.

Recent updates Looking over the past six MPC forecasts...

MPC preferences and macro forecasts

lambda update

As past BoE Governor Carney clarified, the MPC's preferences over inflation and unemployment can be inferred from the MPC's macro forecasts.

Taylor-type policy rules and the latest macro outlook