> *LDI fund managers, reporting that conditions in core markets, should they continue to worsen, would force them to sell large quantities of long-term gilts in an increasingly illiquid market. Taken at face value, this market intelligence would have implied additional long-term gilt sales of at least £50 billion in a short space of time, as compared to recent average market trading volumes of just £12 billion per day in these maturity sectors."*[8]

Whatever the liquidity planning was, it didn't account for an 80 bps spike in three days. Dating back to 2000, the largest daily increase was 29 bps, and was considered an outlier aberration. As the Bank of England (BoE) already knew, there was an estimated £50 billion devaluation of the pension bond assets, which would cause an even bigger and more catastrophic rise in yields if they were sold under liquidity stress. The Bank felt compelled to intervene and bail out these bonds, backstopping them with the BoE's balance sheet to avoid the event of them having to be sold on market-forcing yields even higher and causing widespread damage to the financial system.

Suffice it to say, there are a mountain of problems that BlackRock would prefer not to experience again. Among them would be:

[8] Bank of England. (2022, October 5). Letter from Jon Cunliffe to Mel Stride. https://www.bankofengland.co.uk/-/media/boe/files/letter/2022/october/letter-from-jon-cunliffe-ldi-5-october-2022.pdf