Funding the Future

Why is the FT pretending that bond markets still have s…

Published: January 13, 2026, 3:12 am

As the FT noted yesterday

In the third revision to its financing requirement since March, the Treasury has demanded its Debt Management Office raises £275bn in the first five months of the financial year, compared with a full year estimate in the March Budget of £156bn.

Which is hardly surprising: coronavirus has changed a thing or two. As they then noted:

Between April and the end of August, the Treasury will have raised £55bn a month to fund its coronavirus spending, more than four times the Budget plan of £13bn a month.

Before adding:

There has been no strain in the gilts market so far and the government has easily raised these sums, sometimes benefiting from negative interest rates in short-dated government bond markets.

This is hardly surprising. The Bank of England is buying gilts, pound for pound, to match new issues, and usually ahead of the issues taking place. In net terms government debt is not rising at all, when demand for it is, which is why negative rates are sustainable. The FT only grudgingly admits this:

It has also been helped by Bank of England money creation, used to purchase almost exactly the equivalent quantity of existing government debt. The test will come in coming months when the BoE's rate of purchases falls to roughly half the level of Treasury issuance.

So, three thoughts. First, why the failure to put the acknowledgement that the government is being 100% direct monetary funded upfront?

Second, why the failure to acknowledge that debt is not rising?

And, third, why the presumption that QE will end? Why is that being assumed?

Does the FT have to play so hard to the idea that bond markets still have some financial clout that they have to make up situations where they might? It seems that way.