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UK Gilt Yields and UK Natural Gas Prices

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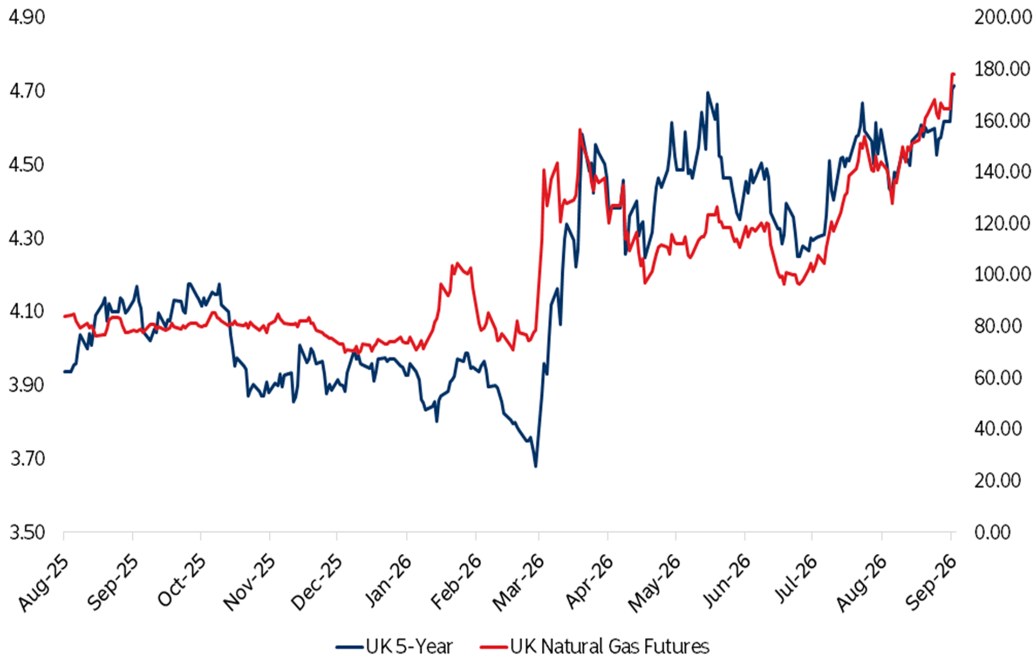

Source: Momentum Global Investment Management, Bloomberg Finance L.P. Data to 2 September 2026.

What does the chart show?

The chart shows the correlation between UK Gilt yields and UK natural gas prices.

Why this is important

One of the more notable features of the UK rates market over the past year has been the close relationship between gilt yields and LNG prices. As a major importer of natural gas, the UK remains particularly sensitive to shifts in global energy markets, with changes in LNG prices feeding directly into inflation expectations and, by extension, monetary policy expectations. The chart highlights this relationship, with movements in 5-year gilt yields closely tracking fluctuations in UK natural gas futures. While the recent rise in LNG prices has contributed to firmer inflation expectations and higher gilt yields, the same relationship suggests meaningful upside potential for gilts should energy prices reverse course. A decline in LNG prices would help alleviate inflation pressures, reinforce the disinflation trend and support the Bank of England's current on-hold stance. With domestic growth remaining subdued, lower energy costs would reduce the need for further policy tightening and could create a more supportive backdrop for UK gilts.

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