

Market Views

05.11.2009

Sam Hill, Fixed Income Fund Manager at Threadneedle, comments on MPC decision

On its own £25bn of stimulus from the Bank of England today would have had a bigger impact but coming after £175bn since March the implication is that this could well be the last injection of its type given the previous announcements of £75bn and £50bn. This strategy would be consistent with taking on board the improvement in confidence in some indicators that should see output stabilise or grow a little in the next few months. The decision to halve the pace at which the new money is put into the economy also suggests a gradual change to the central bank's view about how much more support they need to provide to the economy. If incoming data on the economy confirms a return to modest growth the Gilt market could struggle because investors will take the view that the Bank of England will not be announcing a further extension to its programme of Gilt purchases beyond this latest step of £25bn.

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