

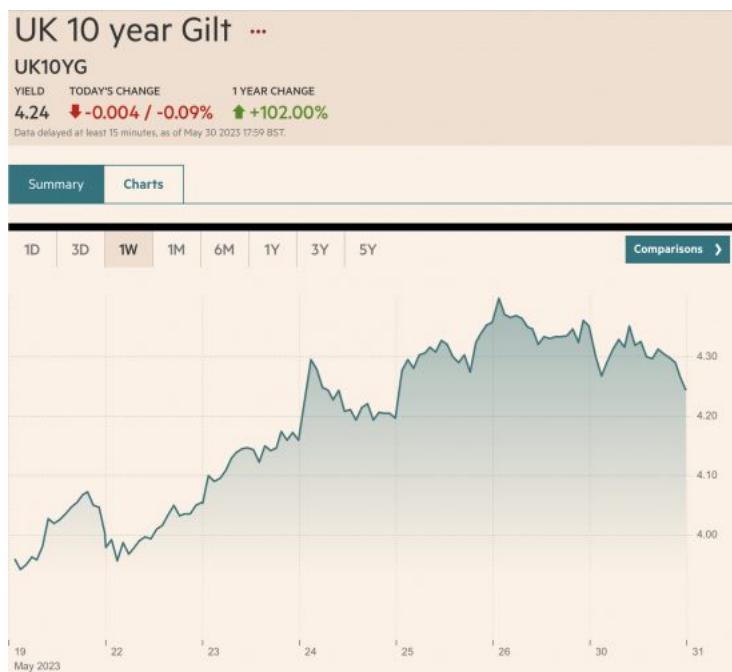
Funding the Future

Do financial markets really think interest rates are go...

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There appears to remain some confusion in financial markets as to the direction of interest rates, with a lot of mortgage products being withdrawn over recent days as financial institutions reappraise the likely direction of longer-term interest rates.

But, I wonder if things are quite as bad as they seemed last week? This chart from the FT shows the rate on ten year gilts over the last week or so:



As is apparent, rates are now falling. The rather silly panic that set in about the direction of inflation has calmed a little, and instead of rates still going upwards, as expectation of further significant Bank of England rate rises would suggest likely, they are heading downward again.

Is that crisis over? I do not know. But what seems clear to me is that markets do not seem to think that the case for much higher rates has really been made. It's a conclusion I can agree with.