

News in Review

10 November 2021

"We think there will be some need to increase interest rates to bring inflation sustainably back to target"



Following many hours of discussions, the Monetary Policy Committee (MPC) decided to retain the Bank of England (BoE) base rate at its record low of 0.1% at its meeting last week. The decision was made despite predictions of inflation hitting a peak of 5% next April. BoE Governor, Andrew Bailey, clarified that inflation is currently being fuelled by "global supply shocks" rather than demand pressure on the UK economy. "Putting interest rates up, I'm afraid, isn't going to get us more gas" he said.

In an interview last week, Mr Bailey said the MPC's decision had been a "close call", but that the Committee wanted to see "more evidence" of how the UK labour market was faring following the end of the furlough scheme, before taking further action. However, he stated that an interest rate increase was a likely outcome of future MPC meetings, concluding, "We think there will be some need to increase interest rates to bring inflation sustainably back to target. And we will be ready to do that."

Global food prices hit decade high

Global food prices have soared by 30% in the past year to reach their highest levels in a decade, according to the United Nations Food and Agriculture Organisation's (FAO) latest food price index, which tracks international prices of the most globally-traded food commodities. The index rose to its highest level since July 2011, to average 133.2 points in October, compared with

129.2 for September. One of the largest contributors is wheat prices, up 40% year-on-year. Supply chain disruption, political issues, labour shortages and factory closures are all said to be behind the current situation, while the impact of climate change is also said to have led to a poor harvest in many countries this year.

COP26: what has been agreed so far?

As the COP26 climate summit entered its second week, former US President, Barack Obama, arrived in Glasgow to address delegates about the role young people can play in the battle against climate change. Despite the country's absence from global climate efforts for four years during the Trump administration – he urged that, "The US is back". Speaking to younger generations, he said, "I want you to stay angry, I want you to stay frustrated, but channel that anger, harness that frustration. Keep pushing harder and harder for more and more, because that's what's required to meet that challenge."

So far in Glasgow, we have seen a pledge to end deforestation backed by \$14bn of private and public funds; a commitment from more than 100 nations to decrease methane emissions by 30% by 2030; a 46-nation-strong pledge to end coal power; and a pledge of £290m from the UK to help poorer countries cope with the impact of climate change.

Rishi Sunak's speech on COP26's Finance Day set out plans to decarbonise the City of London and he announced that listed

companies in the UK will need to publish a transition plan that sets out their path to 'green' their businesses.

Addressing a rally of climate activists, Ugandan activist Vanessa Nakate said, "Leaders rarely have the courage to lead. It takes citizens, people like you and me, to rise up and demand action, and when we do that in great enough numbers, our leaders will move."

US Central Bank reduces its bond-buying programme

The US Federal Reserve has announced that it will be scaling back the bond-buying programme implemented at the beginning of the pandemic to support the US economy. The \$120bn worth of bonds the central bank has been purchasing monthly to keep borrowing rates low is set to decrease by \$15bn this month due to the US's economic rebound.

Markets update

On Monday, the S&P 500 closed above 4,700 for the first time after eight straight record-setting sessions but dropped back on Tuesday to close on 4,685.25 as key inflation data was released. The Dow Jones and Nasdaq Composite also closed down, at 36,319.98 and 15,886.54 respectively. European stock markets opened cautiously higher on Wednesday as investors digested soaring inflation in China and Germany.

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.