

Chaos in the markets: Bank of England takes emergency measures

The UK faces the threat of significant long-term financial instability unless the Bank of England and the UK government work together on a long-term plan to calm markets, warns the chief executive officer of one of the world's largest financial advisory organisations.



Source: Wikipedia. Bank of England.

The stark warning from Nigel Green of deVere Group comes as the central bank on Tuesday pledged to buy more government bonds to try and stabilise market conditions.

He says: "The bond market is in utter chaos again. This has forced the Bank of England to step in with the unusual move to spend £5bn on index-linked securities. It comes in addition to the £5bn allocated for conventional gilts.

"Since the reckless 'mini-budget' at the end of last month, UK financial markets have been in a tailspin, reeling from the government's controversial plans to slash taxes and increase spending in a desperate dash for growth.

"This latest dramatic sell-off saw UK inflation-linked bond yields surging by record levels, forcing the Bank of England to intervene to try and restore some kind of order."

The deVere chief executive continues: "We've now had weeks of markets being rattled - as we have seen with the turmoil in

the mortgage market and the pension market, and with the plummeting pound - because there seems to be no credible long-term plan. Instead, it's all just last-minute, reactionary moves.

"Enough is enough. We urgently need the Bank and the government to work together on a serious plan to calm markets.



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Pierre-Olivier Gourinchas 11 Oct 2022



"At the moment, we still have the central bank trying to hit the brakes while the government is trying to hit the accelerator. The result? Chaos."

Previously, Green has warned that the UK's and the wider global financial system could collapse if action to repair the drama unleashed in the mini-budget was not rectified as a matter of utmost urgency. "Contagion is real, as history teaches us," he noted.

He concluded: "The UK faces the threat of significant, extended financial instability unless the Bank of England and the UK government work together on a long-term plan to calm markets.

"The current last-minute, panic-mode approach that's being taken is highly damaging to the UK's economic prospects."

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