# Interest rate rises prove hard to predict

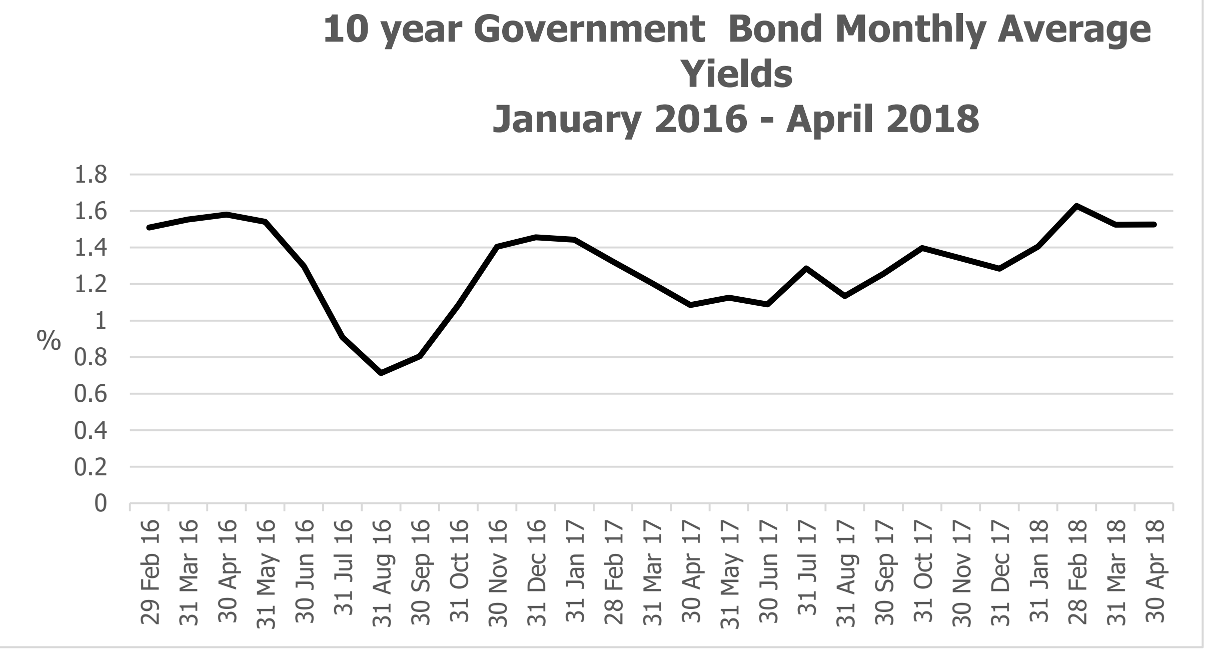
**The Bank of England did not raise interest rates in May, despite earlier suggestions that it would.**

About four years ago a member of the Treasury Select Committee compared Mark Carney, the Governor of the Bank of England, to “an unreliable boyfriend”. The remark was prompted by Mr Carney’s record of talking about future interest rates increases that never became reality. The epithet came back to haunt the Governor last month.

The Bank had been hinting strongly that rates would rise in May, and by early April the money markets were effectively putting the odds on a May increase at 90%. However, a combination of surprisingly bad economic numbers – growth fell to just 0.1% in the first quarter – and downbeat business surveys prompted a rethink. By the time the Bank announced the rate would be held at 0.5% on 10 May, nobody was surprised.

The next opportunity for changes to the interest rate will come on 2 August 2018, when the Bank publishes its next Quarterly Inflation Report. The medium-term expectation is still that interest rates will rise, unless something disastrous happens to the UK economy. For its part, in May the Bank repeated its familiar mantra that, “any future increases in Bank Rate are likely to be at a gradual pace and to a limited extent”.

If you have investments in fixed interest funds, now could be a good time to review those holdings. As the graph shows, the yield on 10-year government bonds is already around double the low hit in the wake of the Brexit vote. It could rise further – depressing bond prices – if the Governor becomes more reliable in his rate rise forecasts.



*The value of your investment can go down as well as up and you may not get back the full amount you invested.*

*Past performance is not a reliable indicator of future performance*.