

INTEREST RATE FORECAST

	Mar 20 %	Jun 20 %	Sep 20 %	Dec 20 %	Mar 21 %	Jun 21 %	Sep 21 %	Dec 21 %	Mar 22 %	Jun 22 %	Sep 22 %	Dec 22 %	Mar 23 %
Bank Rate	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
3-mth Money Market	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
1-yr Money Market	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
5-yr Gilt Yield	0.50	0.50	0.55	0.55	0.55	0.60	0.60	0.65	0.65	0.70	0.75	0.75	0.75
10-yr Gilt Yield	0.75	0.80	0.80	0.85	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	1.10
20-yr Gilt Yield	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.40
50-yr Gilt Yield	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.40

The forecast is based on the following underlying assumptions:

- The global economy has entered a period of weaker growth in response to political issues. The UK economy continues to experience slower growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations are low. Some improvement in global economic data and a more positive outlook for US/China trade negotiations has prompted worst case economic scenarios to be pared back..
- UK economic growth has stalled in Q4 2019. Inflation is running below target at 1.5%. The inflationary consequences of the relatively tight labour market have yet to manifest, while slower global growth should reduce the prospect of externally driven pressure, although escalating geopolitical turmoil could continue to push up oil prices.
- The weak outlook for the UK economy and current low inflation has placed pressure on the MPC to loosen monetary policy. Two MPC members voted for an immediate cut in the last two MPC meetings of 2019. The evolution of the economic data and political moves over the next few months will inform policy, but upside risks to the Bank Rate are very limited.
- Although Arlingclose have maintained their Bank rate forecast at 0.75% for the foreseeable future. Substantial risks to this forecast remain, arising primarily from the Government's policy around Brexit and the transitional period

- Gilt yields remain low due to the soft UK and global economic outlooks. US monetary policy and UK Government spending will be key influences alongside UK monetary policy. Gilt yields are expected to remain at relatively low levels for the foreseeable futures and the risks are judged to be broadly balanced.