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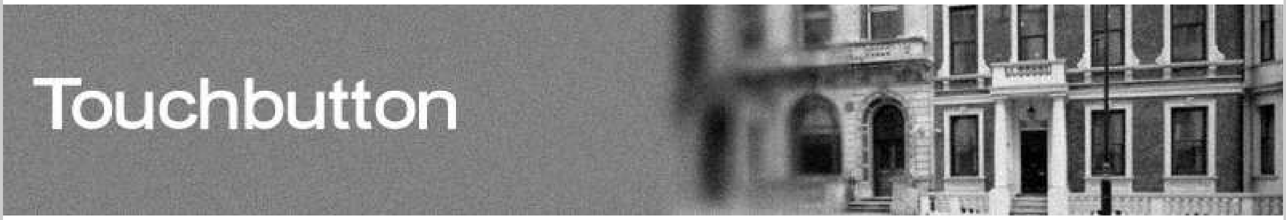

No: 19, July 2013

Read my lips

When Mark Carney's appointment as the new Governor of the Bank of England was announced we suggested that it would introduce a breath of fresh air into Threadneedle Street. Last week we saw conclusive proof of this: gone are the enigmatic nod and nose tapping, favoured in the past by a succession of more donnish governors. Mr Carney instead set out clearly his expectations for interest rates as far ahead as 2015. He also demonstrated a connectivity with markets and how they behave which has at times been absent.

This has to be good news for investors and markets, notwithstanding the fact that his message was essentially downbeat. The recovery is still desperately weak, and interest rate hikes at this juncture would head it off at the pass. His newly coined expression "escape velocity" neatly sums up what the UK still lacks. We may not need a running commentary from the Bank on the state of the economy, but clear and unequivocal comments are hugely constructive, and look likely to be the way forward.

Where does this leave markets? Summertime is the time for funfairs, and the roller coaster ride looks set to continue. It's as if we have a new style of fear and greed on our hands: the new fear is missing out on what could very easily be another sharp upward move in share prices. Inflation is still a big worry, and cash remains a redundant option, especially after such a clear statement about interest rates.

And what about greed? That's pretty much the same as before.

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