

# The Bank wants to lose money on bonds

The Bank of England announced again this week its plans to sell some of the bonds it bought at much higher prices. Lower bond prices mean higher interest rates. When it last announced this it then was forced by the market into wanting rates lower so it flip flopped and bought more. Now it wants rates even higher so it plans to sell them again. I think they are wrong to be selling at current levels. They should wait until they can lower rates again when the bonds will be much more valuable. Longer rates are quite high enough to curb inflation, as most forecasters see it coming down next year after a probable peak next month.

Mr Sunak as Chancellor approved £450bn of bond buying and underwrote all the purchases. When the Bank does sell and takes a loss that loss has to be paid by the Treasury. All Chancellors from Darling onwards agreed to bond buying and agreed to pay any losses. As the decision to buy was a joint one between the Chancellor of the day and the Governor, and as the Treasury pays the losses, the Chancellor should tell the Governor he does not have the money to pay for taking losses now and the bonds should be held for better times. How much is the Bank planning to want the Treasury to find to cover losses over the next twelve months? Bloomberg suggests over £11bn.

This week Mr Hunt signed off a Bank scheme to lend money to energy companies if they needed it. Once again the taxpayer through the Treasury is guaranteeing the Bank against loss. I think the government should be more careful about all these guarantees.

As Mr Hunt tells us he needs spending cuts to reduce the deficit he should start with this one. He must tell The Bank he will not pay for losses on bonds they do not need to sell. That will save us billions. Sometimes saving money can be popular and easy.