

Bank of England

May 2009

Quarterly Bulletin 2009 Q2: Markets and Operations

Bank of England

Summary

Financial markets generally recovered from their recent lows in early March, amid signs that the rate of contraction of economic activity in the United Kingdom and elsewhere may have slowed and reduced concerns about the fragility of banks. Conditions in bank funding markets reportedly improved a little, with short-term interbank borrowing spreads narrowing toward levels observed prior to the failure of Lehman Brothers last September. More generally, contacts reported some modest pickup in investor risk appetite (Chart 1), which helped to boost the prices of risky assets such as equities and corporate bonds both in the United Kingdom and other countries. This was accompanied by a pickup in capital market issuance as firms raised alternative forms of finance to bank credit.

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