



Banking sector a 'blind punt'

By [Nicholas Paler](#) | 10:17:10 | 03 September 2008

The banking sector in the UK faces further rights issues and is currently 'uninvestable', an investment house has said.

Mercater Capital Management warned of further pain to come for the banks, and said while there may well be a rally in stock markets in the near future, the sector would not be participating in it.

Mercater's chief investment officer and director, David Oakes, said: 'They (the banks) could need another two or three rights issues each - the problem is no one really knows.

'To what extent these rights issues cover losses that have already happened, are happening or are provisioned for the future is just guesswork, and this means the sector is uninvestable, a blind punt.'

As well as delivering a scathing view on banks, Oakes added that the UK's inflation target will likely be increased to 3% to give the Bank of England's rate setting committee room to lower interest rates.

He predicted the current inflation target of 2% would be raised by the Monetary Policy Committee (MPC) after a summer review, in a move which would provide some relief to consumers struggling to cope with soaring costs of consumer goods and staples.

He said: 'It is highly likely there will be an adjustment to the target to enable the Bank to bring interest rates down which in turn will weaken sterling.'