

Fed rate action commentary from Swiss Re's chief US economist

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Swiss Re is deeply saddened by this week's tragic events in the United States. Our very first concern is for the victims and their families affected by this tragedy. Nevertheless, Swiss Re's Economic Research & Consulting must provide some analysis of the economic impact of current events.

Following today's Federal Reserve Bank interest rate cut of 50 basis points, Swiss Re's chief US economist, Kurt Karl said, "Chairman Greenspan is making every possible effort to reassure financial markets and support a smooth reopening of stock markets today. The 50 basis point cut should be more than sufficient to provide a calming effect to the markets, though the impact will not be immediate."

Karl added, "This large cut in interest rates does not mean that the Fed's job is done for this economic downturn. With increased market volatility and an uncertain outlook for consumers, the Fed will most likely provide another comforting cut of 25 basis points in interest rates at the next FOMC. In addition, this also increases the probability that the European Central Bank will lower interest rates. The ECB is most likely to follow this Fed action with a 50 basis point cut of its own. Such a move will not only support an improved growth outlook for Europe, but also help calm the foreign currency and equity markets. "

Advisory: Mr. Karl is available for interviews with reporters and editors to elaborate on his comments:

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