

**Swiss Re**



## **Media Advisory**

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### **FOR IMMEDIATE RELEASE**

#### **Fed rate action commentary from Swiss Re chief US economist**

**NEW YORK, December 16, 2008 – After today’s decision by the Federal Reserve to lower the target fed funds rate 75 basis points to 0.25%, Swiss Re’s chief US Economist, Kurt Karl, commented, “After lowering the federal funds rate to 0.25%, the Fed is now expected to be on hold. Though there is little room to cut rates further, the Fed still has the ability to further ease monetary policy via quantitative easing. At this time, some deflation is forecast for next year, but it is expected to be temporary. Hence, any quantitative easing is likely to be targeted at boosting economic activity and lending, not directed at increasing inflation to avoid a prolonged period of deflation.”**

“The US and global economic outlook has continued to deteriorate in recent months. In the US, the credit crisis is already having a significant impact on consumer spending and business investment. It is always difficult to forecast the end of a business cycle and that is particularly true in this downturn. Nevertheless, lower oil prices and interest rates are projected to turn around economic activity by the middle of 2009. Currently, financial markets appear to be slowly stabilizing and mortgage rates are getting sufficiently low to increase interest in refinancing and should soon boost sales,” Karl said.

“The major trading partners of the US are also in recession – the purchasing manager’s indexes for Euroland and UK are at their lowest recorded levels (tracked since 1990s). Japan appears to have entered into recession in the second quarter of this year. In Europe, monetary policy is expected to become increasingly accommodative. Currently, both the ECB and the BoE are projected to cut rates to 1.5% – by end-2009Q1 for UK and end-2009Q2 for Euroland. The Bank of Japan will also probably ease again slightly. The weak growth, declining inflation and lower bank rates will combine to lower the yield on 10-year government bonds to close to 3% in Euroland and 3.5% in UK, while yields remain close to 1.5% in Japan. Most of the strengthening of the US dollar is over and the dollar is now projected to weaken modestly in 2009, except against the yen,” Karl concluded.

#### **Swiss Reinsurance Company Ltd**

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