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

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Following today's Federal Reserve Bank inaction on interest rates, Swiss Re's chief US economist, Kurt Karl said, "As expected, The Federal Reserve Board left policy unchanged today. While the economy may be somewhat weak, the recovery remains on track - no more cuts in interest rates are necessary. Risks are balanced between inflation and economic weakness.

"The Fed's monetary easing last month has not had time to have much of an impact on the economy," said Karl. "Most of the effect of that cut will happen next year. Currently, Swiss Re Economic Research & Consulting expects growth of about 3 percent in 2003. By the middle of next year, the economy is projected to be sufficiently strong to warrant a tightening of monetary policy. By the end of next year, the federal funds rate should be between 2.0 percent and 2.5 percent and the yield on the 10-year Treasury Note will be between 5.0 percent and 5.5 percent.

"The European recovery is fairly modest, but the recent European Central Bank cut in rates of 50 basis points will support domestic demand and should be sufficient to boost growth," asserted Karl. "The European Central Bank is likely to be on hold until late next year. The Bank of Canada will also be on hold - but only until the middle of next year, having already raised rates earlier this year. Stimulated by growth in the US, the world economy is expected to strengthen in 2003."

Advisory:

Kurt Karl is available for interviews with reporters and editors to elaborate on his comments:

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Swiss Re is one of the world's leading reinsurers with over 70 offices in more than 30 countries. For 2001, Swiss Re reported a net loss of CHF 165 million, largely due to the 11 September event. Gross premiums in 2001 were CHF 28.5 billion. At the end of June 2002, Swiss Re's shareholders' equity amounted to CHF 18.3 billion and the total balance sheet stood at CHF 168 billion. Swiss Re is rated "AA+" by Standard & Poor's, "Aa1" by Moody's and "A++" by A.M. Best.

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