Swiss Re

Media Advisory

Contacts:
Alayna Tagariello (212) 317-5663
Alayna_Tagariello@swissre.com

FOR IMMEDIATE RELEASE

Fed rate action commentary from Swiss Re US chief economist

NEW YORK, June 25, 2008 – After today's decision by the Federal Reserve to hold the target fed funds rate at 2.0%, Swiss Re's Chief US Economist, Kurt Karl, commented, "The Fed is reluctant to cut any further, because inflation remains elevated. Also, the economy is basically in a mild recession or growth pause and the Fed does not want to aggravate the downturn with a rate hike. The Fed will be on hold for a prolonged period due to the economic weakness, but will raise rates early next year when growth picks up. Currently, there is substantial monetary easing in the pipeline, which — coupled with the weak dollar and ongoing fiscal stimulus — should boost economic activity by late this year or early next year."

"Some optimism returned recently on the US economy and in markets, but this is unlikely to be sustained. Employment is falling, housing is still in a slump, vehicle sales continue to decline and financial markets remain stressed. In addition, oil prices have been very high and this is pushing up gasoline prices rapidly. The impact of the tax rebates will be overwhelmed by energy and food price increases," Karl said.

"Growth is slowing in Euroland, the U.K. and Japan, but recessions are unlikely. In Euroland, inflation is expected to average 3.1% this year – above the European Central Bank's 2.0% target. In the U.K., inflation is forecast to be 3.1%, also above target. Nevertheless, weak growth and an expected decline in inflation will allow the ECB and the Bank of England to cut rates — probably in the first half of next year. In Japan, inflation is projected to be 0.7%, up from 0.1% last year. The central bank is expected to raise rates by 50 bp in two 25 increments to 1.0%, beginning late this year, but this could be delayed if economic conditions deteriorate further. The US dollar is expected to remain relatively stable against the yen, but strengthen against the euro, the pound and the Canadian dollar over the next 18 months. China continues to boom, but inflation is increasingly worrisome. Nevertheless, there is unlikely to be a sharp decline in economic activity or a spike in the value of the yuan, though the risk has risen over the last six months." added Karl.

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