

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

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Following today's Federal Reserve Bank interest rate cut of 25 basis points, Swiss Re's chief US economist, Kurt Karl said, "The economy is on a knife-edged cliff. If consumer confidence collapses, the economy will fall into recession. If confidence is sustained, we'll avoid the abyss and have - at most - one quarter of falling economic activity. The Fed cannot afford to stand idly by while the economy goes into recession - hence, the 25 basis point cut."

Karl added, "The cumulative impact of 300 basis points of interest rate cuts - coupled with tax cuts, lower energy prices and a weaker dollar - will turn around the economy in the fourth quarter. Nevertheless, the Fed will continue to cut interest rate - two more cuts of 25 basis points are expected - because a recovery is far from assured. Given the bond market rally over the past month, this means bond yields will likely stay in a trading range near current rates."

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

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