

Media release

Vienna, 4 March 2020

Erste Asset Management economist Winzer: US rate cut “not surprising”

- **US rate cut possibly part of a concerted action by the central banks of the developed world**
- **This does not necessarily mean rate cuts in the Eurozone or Japan**

To Erste Asset Management (www.erste-am.com), yesterday's rate cut by the US Fed of 0.5 percentage points to a target band of 1.00% to 1.25% for the Fed funds rate did not come as a surprise. The central bank had already issued a statement last Friday according to which it would react accordingly to the economic risk created by the coronavirus. The only “extraordinary” aspect to Erste AM Chief Economist Gerhard Winzer was the “relatively large” extent.

“The rate cut by the ‘most important central bank in the world’ could be part of a concerted action by the central banks of the developed world.” In the early morning hours of the very same day, the Australian central bank (RBA) had already cut its key-lending rate by 0.25 percentage points to 0.5%. “In countries where the interest rates are already very low such as in the Eurozone or Japan this loosening strategy does not necessarily have to include rate cuts. Monetary loosening can also be implemented via high liquidity provided to the banks (LTRO), expanded purchase programmes, or guidance of the market expectations (forward guidance),” as Winzer points out.

Either way, the rate cut helps soften the tightening financial environment (decline in share prices, higher credit spreads, higher volatility). This is meant to contain a negative feedback loop of falling share prices and economic growth, as Winzer concludes.

Photo: **Erste AM Chief Economist Winzer: US central bank wants to thwart the tightening financial environment created by the coronavirus by cutting its interest rates**
Photo: Daniel Hinterramskogler, all rights held by Erste AM, publication free of charge

About us:

[Erste Asset Management \(Erste AM\)](http://www.erste-am.com) coordinates and is responsible for all asset management activities within Erste Group. We have offices in Austria, Germany, Croatia, Romania, Slovakia, the Czech Republic, and Hungary. Our total assets under management amount to more than EUR 64bn (as of 31 December 2019).

For enquiries please contact: Erste Asset Management, Communications & PR

Dieter Kerschbaum
Tel. +43 (0)50 100 19858
E-Mail: dieter.kerschbaum@erste-am.com

Armand Feka
Tel. +43 (0)50 100 12341
E-Mail: armand.feka@erste-am.com

Erste Asset Management GmbH
Am Belvedere 1-1100 Wien,
www.erste-am.com

Disclaimer:

This document is an advertisement. Unless indicated otherwise, source: Erste Asset Management GmbH. Our languages of communication are German and English.

The prospectus for UCITS (including any amendments) is published in Amtsblatt zur Wiener Zeitung in accordance with the provisions of the InvFG 2011 in the currently amended version. Information for Investors pursuant to § 21 AIFMG is prepared for the alternative investment funds (AIF) administered by Erste Asset Management GmbH pursuant to the provisions of the AIFMG in connection with the InvFG 2011. The fund prospectus, Information for Investors pursuant to § 21 AIFMG, and the key investor document/KID can be viewed in their latest versions at the web site www.erste-am.com or obtained in their latest versions free of charge from the domicile of the management company and the domicile of the custodian bank. The exact date of the most recent publication of the fund prospectus, the languages in which the key investor document is available, and any additional locations where the documents can be obtained can be viewed on the web site www.erste-am.com

This document serves as additional information for our investors and is based on the knowledge of the staff responsible for preparing it at the time of preparation. Our analyses and conclusions are general in nature and do not take into account the individual needs of our investors in terms of earnings, taxation, and risk appetite. Past performance is not a reliable indicator of the future performance of a fund.