

## 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](http://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**  
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[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).

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