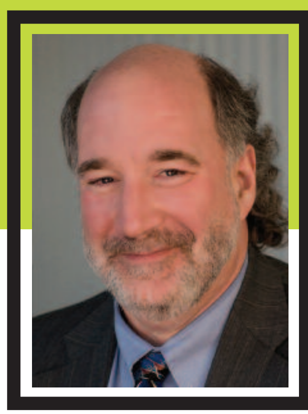
FINANCIAL FOCUS

ZERO INTEREST RATE ZONE

[EDITOR'S NOTE] Each year in the summer issue of Pittsburgh Quarterly, we ask a group of the region's leading wealth managers to help our readers navigate financial waters by responding to a question. This year, the question is:

In your opinion, what will be the ultimate impact of the Federal Reserve's zero interest rate policy in the short term and the long term?



Jack Kraus

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The impact is uncertain and will be dependent on the strength of the U.S. economy moving forward. The Fed may start to increase rates either in 2015 or 2016, so we are probably closer to the end of the policy than the beginning. A change in policy assumes the economy is strong enough to absorb these rate increases. A number of prognosticators are predicting hyperinflation due to the Fed's policies.The probability of this in my opinion is less than 10 percent. The other end of the spectrum is deflation, which is just as or more damaging than hyperinflation. I would also give this less than a 10 percent probability. The reality will be most likely in the middle somewhere. The voices of the two extreme views are necessary, however, to guide policy from going to one extreme or other. PQ

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