The ECB cuts interest rates to zero

View this email in your browser

EMERGO WEALTH

Our expertise, the most valuable asset for your

precious future

March | 2016

This month was marked by the European Central Bank’s (ECB) decision of March 10th to further cut interest rates to zero, a move that aims to address concerns over another crisis and jump start the European economy. Economic growth has not met expectations and the ECB now expects European economic growth for 2016 to reach 1.4% (down from the 1.7% projected in December 2015)

The quantitative easing programme started a year ago and currently set to run until March 2017, has been increased from €60 billion to €80 billion of asset purchases by the ECB per month. In a further move to “force” European banks to increase lending, the ECB further decreased its deposit rate to -0.4%. What this means in practice is that any cash deposited by the banks with the ECB will be charged to 40 basis point of interest per year. In response, many banks, including some local ones, have started to reduce deposit rates.

These are interesting and volatile times but rather than panic or overreact to sudden or aggressive market movements we should remember that we are investing for the long term and stay the course.

Exchange Traded Funds

The easiest way to understand ETFs is to think of them as mutual funds that trade like stocks. That is, an investment pot where a number of investors place their cash that is invested in a predefined way into a predefined investment thesis. Investors can place and withdraw money in and out of the ‘pot’ as often as they like within a day. In contrast, mutual funds are priced once a day at best and can be traded on the following day at that price. Often this liquidity can be weekly and in the event of some funds with illiquid strategies or underlying investments (for example real estate, or hedge funds) the tradability can be quarterly or more. **Read More**

Investment Terms Explained...

Unsystematic Risk - Company or industry specific hazard that is inherent in each investment. Unsystematic risk, also known as "nonsystematic risk," "specific risk," "diversifiable risk" or residual risk." can be reduced through diversification. By owning stocks in different companies in different industries, as well as by owning other types of securities, investors will be less affected by an event or decision that has a strong impact on one company, industry or investment type

Trade stocks, options, futures, forex, bonds, ETFs & CFDs with our multi-platform brokerage services

Start Trading