

# Negative interest rates aren't working

Excerpt from ForexLive's "Negative interest rates aren't working"

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*There haven't been any victories in the negative-rate world.*

*The ultimate test of any theory is in the results.*

*The idea behind negative interest rates is that they will spur borrowing and economic activity, leading to inflation and a weaker currency.*

*It may be too soon to judge the results but the early returns are poor. Earlier this month the CME looked at the results of negative rates in four regions: the eurozone, Japan, Sweden and Switzerland. They all went negative between 2014 and 2016.*

*None of the four "have achieved their inflation targets as a result of negative deposit rates," the CME writes.*

*Moreover, the negative-rate experiment so far has failed to stimulate growth sustainably. Early returns in Japan, the eurozone and Sweden were solid but GDP has slumped back close to zero.*

*David Kotok of Cumberland Advisors is out with [a paper](#)*

[attacking negative rates.](#)

*The notional pricing of the trillions of dollars and euros in swaps and derivatives is thrown into disarray. As a result, the banks and market agents sponsoring those derivatives must raise their pricing to protect themselves from this added risk induced by NIRP. When they raise their pricing, they add to transactional costs and therefore suppress economic activity at the margin. That is a reason NIRP slows growth and raises risk.*

Read the full article at ForexLive's website:  
<https://www.forexlive.com/news/!/negative-interest-rates-arent-working-20191125>

Read David's original commentary on NIRP here:  
<https://www.cumber.com/cumberland-advisors-market-commentary-nirp-lagarde-trump-dickens-holidays/>