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**EUROPE MUST TACKLE FINANCIAL BUBBLES LOCALLY - ECB'S PRAET**

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Ralph Orlowski(Reuters)

FRANKFURT (Reuters) - The euro zone is not yet at risk from financial asset bubbles but ultra low rates can endanger stability, so countries need to enact local measures to address pockets of excesses, European Central Bank chief economist Peter Praet said on Thursday.

"Keeping rates low for long periods can raise challenges for financial stability further down the road," Praet said in a speech. "In this context, activating macroprudential instruments where needed is essential to ensure resilience, contain procyclical behaviours and prevent the emergence of financial imbalances."

The ECB has kept rates in negative territory for years and expects to raise them only very slowly, arguing that its primary mandate is raising inflation back to target and not to ensure financial market stability.

"There is no evidence of excessive misalignment across asset classes in the euro area right now, there are signs that valuations are stretched in specific market segments," Praet said.

(Reporting by Balazs Koranyi; Editing by Alexandra Hudson)

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Kaynak/Source: