THE JEROME LEVY FORECASTING CENTER

DATE: November 25, 2013

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FOR IMMEDIATE RELEASE

**LEVY SAYS BUBBLY ACTIVITY MAY LAST AWHILE,
BUT IS UNLIKELY TO SUPERCHARGE ECONOMIC EXPANSION**

Another "Macrobubble" Is Unlikely for a Long Time

MOUNT KISCO, NY, Nov. 25 – Economist David Levy, writing in the just-published November Levy Forecast, said that while at first glance, the U.S. economy appears to be replicating past asset bubbles, "*there are key differences that make this business cycle unlikely to develop into another episode of vast, powerfully influential asset booms and explosive balance sheet expansion.*"

The Levy Forecast, the nation's oldest newsletter devoted to economic analysis, noted that although the stock market may continue to rise well into 2014, "*the economy and financial conditions will most likely deteriorate before any market or group of markets can become a* macrobubble *and really heat up the economy*."

Levy, chairman of the independent Jerome Levy Forecasting Center (www.levyforecast.com) introduced the term "macrobubble" in 2009 to describe a particular type of "spectacular, highly influential bubble." For instance, "*both the 1990s stock market bubble and the 2000s housing bubble grew to such proportions and influence that they generated enough profits to mean* the difference between recession and boom, *playing enormous roles in powering the economy.*"

He said that unlike the previous bubbles of the early 1990s and early 2000s, when low interest rates and time "cleaned up the mess" from previous asset bubbles' bursting, this time the Federal Reserve ran out of room to cut rates, and the fallout from the housing debacle hasn't been cleaned up.

Moreover, *"macrobubbles require vast credit creation, and so far the financial sector is still contracting its balance sheet."*

According to the Levy Forecast, *"a macrobubble, if achieved, would undermine the very interest rate and yield conditions necessary to support it; in effect, its development would initiate its self-destruction."*

In addition, *"the global economy is financially fragile, dependent on zero interest rates and low yields to maintain financial stability and expansion."* Emerging market economies in particular could not survive an increase in U.S. interest rates or yields.

Levy continued to emphasize that the U.S. economy is progressing through a multi-year period of adjustment before the next era of "*vibrant, sustainable prosperity*," and said that "*reversing that adjustment process even for a year or two, although encouraging to the public for a short time, would be highly counterproductive from a longer-term perspective.*"

About The Jerome Levy Forecasting Center

The Jerome Levy Forecasting Center LLC – the world leader in applying the macroeconomic profits perspective to economic analysis and forecasting – conducts cutting edge economic research and offers consulting services to its clients. The goal of the Levy Forecasting Center is to improve its clients' business and investment performance by providing them with powerful insights into economic risks and opportunities – insights that are difficult or even impossible to achieve with conventional approaches to macroeconomic analysis. Additional information may be found at www.levyforecast.com.

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