The Jerome Levy Forecasting Center LLC

DATE: November 2, 2016

FOR IMMEDIATE RELEASE

LEVY LOOKS FOR 'BRIGHTER' Q4, BUT STILL GLOOMY 2017

Economist warns that temporary support for global expansion risks "whipsawing" investors by the New Year

MOUNT KISCO, NY, Nov. 2 – Economist David Levy, writing in the just-published October issue of *The Levy Forecast®*, noted that two short-term positive influences have raised prospects for fourth-quarter U.S. profits and growth and increased the probability that the Fed will raise interest rates in December.

"*One is the end for now of a slide in U.S. (and probably global) inventory investment. The second is a relatively mild reaction so far by emerging market (EM) currencies and capital markets to the rise in U.S. yields,*" the chairman of the independent Jerome Levy Forecasting Center (www.levyforecast.com) said.

Writing in the nation's oldest publication devoted to economic analysis, Levy cautioned that neither of these economic boosts "*represents an escape route from the inevitable consequences of oversized private balance sheets.*" Moreover, Levy warned that rising fourth-quarter profits could result in "*more short-term upward pressure on interest rates and yields to the detriment of global financial stability*" and the 2017 outlook.

Writing in the same publication, Director of Research Srinivas Thiruvadanthai wrote that "*a significant further increase in (U.S. Treasury) yields from present levels would in all likelihood set back risk assets, especially EM assets and high-yield bonds, and weigh on global economic activity*."

Calling the positive influences, "*temporary support for a shaky and hemorrhaging global expansion*," Levy warned that "*investors jumping on the 'economic normalization' bandwagon this fall may find themselves whipsawed by January*."

Although EMs have temporarily regained confidence among investors, Levy wrote that the temporary capital inflow to EMs could ultimately prove to be a vulnerability. "*The exposure of so much capital with less risk tolerance than is appropriate for these investments means that the rush for the door will become intense if yields continue to climb*."

Explained Levy, "*the nature of the big balance sheet economy is that returns become inadequate for investor goals and targets; the result is rationalization and nose-holding while investing. Such players cannot afford losses and at some point, will bail out in a hurry*."

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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