THE JEROME LEVY FORECASTING CENTER

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FOR IMMEDIATE RELEASE

DAVID LEVY SEES MODERATE PROFIT EXPANSION THROUGH

REMAINDER OF 2013, "MAY BE ENOUGH" FOR STOCKS TO RISE

Levy Forecast Remains Bullish on Long-Term Treasury Bond Outlook

MOUNT KISCO, NY, Sept. 26 – Economist David Levy, writing in the just-published September Levy Forecast, said that the U.S. economy's moderate growth pattern "*is likely to persist for at least two more quarters,"* but warned that by the second quarter of 2014, *"the economic climate could change considerably."*

The Levy Forecast, the nation's oldest newsletter devoted to economic analysis, said the outlook for profits, "*along with mixed overseas conditions, translates into public company earnings gains"* that may meet expectations for the third quarter, but predicted the gains would "*probably fall short of current expectations"* for the fourth quarter of 2013 and the balance of 2014.

"*Nevertheless,*" said Levy, chairman of the independent Jerome Levy Forecasting Center (www.levyforecast.com), "*profits and the economy might be firm enough for the stock market to rise into next year."* He based this analysis on several factors that could potentially overcome earnings disappointments, including (i) that "*economic data is unlikely to provoke much fear that inflation is coming back and that the Fed is behind the curve and in need of accelerating its tightening plans,*" and (ii) that investors are "*increasingly restless on the financial sidelines."*

He added that U.S. equities would likely do better than European and emerging market securities. Emerging market economies, he said, despite overly optimistic consensus expectation, were particularly vulnerable. Levy wrote that unlike the developed economies, many emerging market countries *"lack the capacity to run continual, large deficits, to provide whatever capital is necessary to stabilize their banking systems, and to control their domestic interest rates."*

Levy noted that the "*two biggest potential threats to the stock market in the next six months*" were international disruptions, particularly in the emerging markets, and also potentially unsettling effects on equity investors from problems in the U.S. housing market, where "*yields are starting to do what we believe will be notable damage to residential real estate sales, which will slow price gains*."

The Levy Forecast reiterated its strongly bullish long-term outlook for Treasury bonds and added that should the 10-year yield shoot substantially above 3%, Treasuries would "*become a good medium-term or even short-term value.*"

Levy said that while the outlook for the next six months appeared relatively sanguine, the balance of 2014 was much more uncertain, because *"the economy will be in many ways constrained by the unusual circumstances of the U.S. contained depression and related circumstances around the world."*

And, he cautioned that in such a period of austerity, *"The only way the economy can sustain a strong expansion is through a resurgence of pathological speculative activity and rapid balance sheet expansion."* Such a course would be potentially disastrous, Levy said.

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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