THE JEROME LEVY FORECASTING CENTER

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FOR IMMEDIATE RELEASE

LEVY FORECAST SAYS U.S. ECONOMY LIKELY TO "REMAIN STUCK IN SECOND GEAR" IN 2013

Secular Decline in Treasury Yields Not Over Yet

MOUNT KISCO, NY, Jan. 14 – Economist David Levy, writing in the just-published January Levy Forecast, predicted that,with only modest fiscal drag resulting from the "cliff" deal reached in Congress, the United States economy will likely plod along in 2013 slowly and unevenly, *"stuck in second gear, unable to accelerate, but thankfully not plunging off a cliff."*

The Levy Forecast, the nation's oldest newsletter devoted to economic analysis, predicted that profits are unlikely to change much during the year, falling short of present consensus expectations. Furthermore, slow employment gains will continue, and inflation isn't likely to be a problem.

"Core inflation will not sustain any pickup and will tend to remain steady or weaken over the course of the year. Any energy or food price spikes will have short-lived effects on overall inflation," Levy, chairman of the independent Jerome Levy Forecasting Center (www.levyforecast.com), wrote.

The macroeconomist said that one reason profits in 2013 won't likely expand was "the narrowing of the government deficit." On the other hand, he said, "the biggest positive change among the profit sources will almost surely be a plunge in personal saving, especially early in the year as payroll tax hikes initially gouge out a larger portion of saving before working consumers make spending adjustments."

He added that modestly rising fixed investment and solidly rising dividend payments would also be positive factors for profits.

"The net effect of the contracting public sector deficit, rising investment and dividends, and relatively stable foreign saving and inventory investment is likely to be not much change in profits," he concluded.

Even with the government's benign action on the fiscal cliff, Levy said, *"Treasury bonds are still a sound investment"* if one is willing to be patient, though significant volatility this year is possible. Furthermore, Levy argued that any significant rise in yields from present levels would quickly undermine economic activity and thus be difficult to sustain.

"We are confident yields will eventually fall well below the lows of 2012."

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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