



THE JEROME LEVY FORECASTING CENTER

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FROM:

Andrew Edson & Associates, Inc.
89 Bounty Lane
Jericho, NY 11753
Andrew Edson, 516 850 3195
Andrew@edsonpr.com
www.edsonpr.com

FOR:

The Jerome Levy Forecasting Center
69 South Moger Avenue – Suite 202
Mount Kisco, NY 10549
Robert King, [914 666 0641](tel:9146660641)
rking@levyforecast.com
www.levyforecast.com

FOR IMMEDIATE RELEASE

LEVY SEES STRONG DOMESTIC PROFIT GROWTH

HEADING INTO 2014

U.S. Growth in Second Half Depends Largely on International Outcomes

MOUNT KISCO, NY, Jan. 28 – Economist David Levy, writing in the just-published January Levy Forecast, said that *“The domestic economy has enough positive influences going for it in early 2014 that it is unlikely that U.S. profits will be significantly reduced before year-end unless serious economic and financial problems develop in the international economy.”*

Levy, chairman of the independent Jerome Levy Forecasting Center (www.levyforecast.com) cautioned that conditions abroad *“may foretell more about the U.S. economy in the second half [of 2014] than anything happening at home.”*

He said that despite some economic momentum, the outlook for Europe six months out is highly uncertain. Moreover, Levy noted that many are turning bearish on emerging markets – *“a position that we have held since mid 2012.”* On the other hand, he expected Japan to outperform expectations.

Obstacles remain to sustaining positive trends in the domestic profit sources, according to the Levy Forecast, the nation’s oldest newsletter devoted to economic analysis: *“Strong earnings and zero interest rates are likely to become increasingly incompatible. A strong expansion would tend to sow the seeds of its own destruction by driving up yields, which will fall back only after weakening financial stability, asset markets, profits, or a combination.”*

Because of this powerful *“negative feedback loop between the yield curve and the economy,”* Levy noted, *“Investors should be prepared for greater stock market volatility this year than in 2013 . . . regardless of the U.S. stock market’s overall trend in 2014, it will probably cover a lot of ground up and down along the way.”*

The Levy Forecast reaffirmed its forecast that the United States will remain in a “contained depression,” a multi-business cycle era with secular weakness in investment, economic performance, asset markets, goods and services prices, and lending. The Forecast noted that some cyclical reversal in balance sheet trends – some rise in asset and debt ratios – is consistent with the secular trend of balance sheet contraction.

“What is virtually impossible is for the economy to return to a long-term path of stability and normalcy without first experiencing further private sector balance sheet correction,” the Forecast said.

“The excesses in both asset values and liabilities relative to income are a problem that cannot just fade away; there is no path (short of fantastic government actions) back to lasting prosperity without first completing the balance sheet retrenchment associated with the contained depression.”

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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