The Jerome Levy Forecasting Center LLC

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FOR IMMEDIATE RELEASE

LEVY FORECASTS NEAR ZERO FED FUNDS RATE FOR NEXT 5 YEARS

With Next Global Recession Expected to Occur Within 6-24 Months, Interest Rate Hikes Remain Unlikely

MOUNT KISCO, NY, April 29 – Economist David Levy, writing in the recently-published April *Levy Forecast*, said that there was a high probability that short-term interest rates would remain close to zero "through the 2010s."

"*Making the world economy sound enough to support U.S. rate hikes during the next five years, while not impossible, is pretty darn close to it,"* said Levy, the chairman of the independent Jerome Levy Forecasting Center (www.levyforecast.com), noting that with each passing quarter, *"the global economy will become even less able to withstand rising U.S. interest rates."*

Levy, who—using insights garnered from the macroeconomic framework known as the Profits Perspective—correctly forecast before the last recession that the Fed would cut policy rates to new lows, said "*to predict how monetary policy will change over time, it is much more important to know where the economy is going than to know how and what current policymakers think*."

"*The key here,"* explained Levy,*"is that during some extraordinary episodes of financial and economic history, the Profits Perspective can reveal hard constraints on the economy's behavior, constraints that are difficult or impossible to see from a conventional economic perspective*."

Levy also forecast that the Fed will have little influence on the yield curve in the next five years; rather, yields will react to economic conditions as they always have. Said Levy, "*the conditions that would encourage [the Fed] to do more bond buying or other QE—a major economic or financial setback—will bring bond yields to new lows anyway*."

The reality, said Levy, is that *"monetary policy cannot fix the problems of excessive private sector balance sheets."*

The Levy Forecast, the nation's oldest newsletter devoted to economic analysis, warned that the next global recession *"has a high probability of beginning between six and 24 months from now, and more likely in the former half of that range than the latter."*

Were that recession to occur, the Levy Forecast suggested that unusual financial problems around the world would make rate hikes "unthinkable" during the recession and highly unlikely in the aftermath. Levy wrote:

- Major central banks around the world will have little room to cut interest rates – a drastic change from past, postwar business cycles.

- The worst financial problems will not be in the United States but in countries less able to stabilize themselves.

- The deflationary and severe nature of the next global recession will lead to a long, troubled aftermath during which the Fed will not entertain the thought of lifting rates off the floor.

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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