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FOR IMMEDIATE RELEASE

**LEVY SAYS ECONOMIC DEVELOPMENTS IN Q2
UNLIKELY TO JUSTIFY JUNE FED RATE HIKE**

**Economist Warns that Continued Decline in Domestic, Global Profits
Could Presage Sudden Global Business Retrenchment**

MOUNT KISCO, NY, May 26 – Economist David Levy, writing in the just-published May issue of *The Levy Forecast*[®], discounted the likelihood of a June Federal Reserve Board interest rate hike. Despite FOMC members’ recent comments to the contrary, Levy argued that the most likely scenario is that “*new information will cause the central bank to balk on June 15.*”

“*The bottom line is that economic news and developments over the balance of the second quarter will probably revive Fed and market worries about the domestic expansion, the global expansion, and global financial stability,*” he said.

Levy, chairman of the independent Jerome Levy Forecasting Center, LLC (www.levyforecast.com) added that while falling global profits have evoked relatively little market reaction, if “*U.S. and global profits keep falling, the global business retrenchment will strike markets with surprising suddenness.*”

In terms of a possible imminent rate hike, the economist acknowledged that in many ways economic conditions seem to be holding up, delaying the deterioration of the domestic and global economies in the first half of 2016. Among the factors that have added to the less severe first quarter, Levy pointed to:

- The Northern Hemisphere's mild winter boosting first-quarter economic activity.
- China's actions to support commodity prices and its own economy.
- Some revival of international financial buoyancy, with investors moving increasing amounts of cash into emerging market (EM) corporate securities.
- The concentration of profits declines in the energy sector causing a delayed deceleration in job growth compared to that in other cycles.

Levy cautioned, however, that several of the factors leading to the better-than-expected first quarter, like the better weather and the relative buoyancy in EM capital markets, “*are necessarily short-lived.*” Moreover, profits declines have spread, with eight of 10 S&P sectors reporting year-over-year declines in operating earnings per share in the first quarter.

“Therefore,” he argued, “given the backdrop of a historic weakening in EM investment, we continue to believe that the second quarter will bring considerably worse domestic and global economic performance as well as more eruptions of financial instability than in the first quarter.”

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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