



THE JEROME LEVY FORECASTING CENTER

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FOR IMMEDIATE RELEASE

**LEVY FORECAST SAYS QE2, IMPROVED 4Q
NOT ENOUGH TO PREVENT 2011 DOWNTURN**

**Fiscal Policy the Big Swing Factor;
More Stimulus Needed to Forestall 2011 Turndown**

NEW YORK, Nov. 23 -- The Federal Reserve's much-ballyhooed quantitative easing (QE2) "*will neither help much or have the dire consequences some critics claim,*" according to economist David Levy in the just-published November memo to clients.

More important, according to Levy, is the fact that "fiscal stimulus has become a dirty word." Fiscal policy remains the single biggest swing factor in the outlook, he said. Unless fiscal policy becomes significantly more stimulative, Levy continued to put "*the probability of a downturn in 2011 at 60%.*"

Levy predicted "*a somewhat improved fourth quarter outlook,*" fueled by higher-than-anticipated consumer spending and the increased likelihood of a "*respectable holiday season.*"

The economist cautioned, however, that, "*In 2011, the financial strains on households and a gradual coming to grips with wealth losses will likely begin to dominate again,*" contributing to an economic falloff in 2011.

The biggest negative factor in the first half of 2011, according to Levy, "*will be the decline of inventory investment,*" which he said would catch the market by surprise. He noted that "*inventories have been rising much too fast*" and can't be sustained.

Moreover, Levy states that *“export growth will weaken as fiscal tightening and financial problems slow Europe and as the U.S. inventory slowdown hits trading partners in Asia, Latin America and elsewhere.”*

The Levy Forecast, the nation’s oldest newsletter devoted to economic analysis, downplayed the global hysteria triggered by QE2, suggesting that QE2 *“will have at best limited enduring effects on private long-term rates and cause a tiny bit more lending.”*

“QE2 can influence exchange rates directly only if it leads to greater inclinations for banks to lend and for borrowers to borrow and then spend in the foreign exchange market,” Levy concluded.

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

Note: The full Levy Forecast is available to the press in PDF format by contacting Andrew Edson & Associates – Andrew@edsonpr.com or 516 850 3195.