



THE JEROME LEVY FORECASTING CENTER

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FOR IMMEDIATE RELEASE

LEVY TAKES ON CONSENSUS 2014 OUTLOOK --

U.S. Outperformance: Yes, But Global Economic Pickup Unlikely

MOUNT KISCO, NY, Dec. 19 – Economist David Levy, writing in the just-published December Levy Forecast, said that while this month’s budget agreement improves the chances that profits will hold steady heading into next year, “*analysts are generally overconfident about global improvement in 2014.*”

According to the Levy Forecast, the nation's oldest newsletter devoted to economic analysis, “*never in modern history have foreign economic problems dragged the United States into a recession,*” yet in 2014 there is a real risk that for the first time “*a worsening world economy could cause a U.S. economic downturn.*”

The key reasons for this outlook, according to Levy, chairman of the independent Jerome Levy Forecasting Center (www.levyforecast.com) are:

- (1) “*The world economy has greater vulnerabilities than at any time since the end of World War II,*”
- (2) “*The U.S. economy has its greatest export exposure ever,*” and
- (3) A bulletless Federal Reserve, a lackluster domestic fixed investment outlook, and vast private sector balance sheets increase the likelihood that the domestic economy could be “*rocked by developments abroad.*”

As a consequence, the Levy Forecast stated, “*We agree that the U.S. economy will outperform the rest of the world, but probably by merely maintaining its growth pace or, if things deteriorate around the world, by having less serious problems than the rest of the world.*”

The Levy Forecast also weighed in on some other consensus expectations for the domestic economy. For example:

- **Consequences of Fed tapering**–*“Ultimately the economy’s influence on expectations of Fed interest rate policy down the road, not the size of the bond purchases, will drive bond prices.”*
- **Housing recovery**– *“Housing will tend to stumble along, weakening as yields rise but gaining some traction when yields fall.”*
- **Job growth**– If job growth gradually accelerates, as consensus anticipates, then *“yields will rise, causing problems, eventually creating drag on growth.”*
- **Stock market**–*“We remain bullish but watchful . . . The stock market has the potential to perform well – maybe better than most analysts think – until there is something to scare it.”*
- **Potential for U.S. acceleration** – *“The economy’s performance is bounded on the upside because signs of strength will elevate bond yields, which will aggravate housing market ills, weaken other asset markets, destabilize many EM economies, and bring yields back down.”*

The Levy Forecast concluded that, *“The best to hope for is a relatively benign, uneven, unspectacular but firm expansion in 2014,”* with profits growing moderately and businesses maintaining margins.

“A year of expansion in 2014 could provide some attractive short- and medium-term investment and business opportunities.”

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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