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FOR IMMEDIATE RELEASE

LEVY: PRIMARY 2015 DRAMA TO BE IN THE EMERGING MARKETS

Global Economy's Continued Expansion in 2015 Depends Largely on U.S. Interest Rates Holding Steady

MOUNT KISCO, NY, Feb. 19 – Economist David Levy, writing in the February issue of *The Levy Forecast*[®] just released to clients, wrote that “*the economic performance of the emerging market countries broadly—as well as that of China in particular—is more critical to the global economy than ever before.*”

The chairman of the independent Jerome Levy Forecasting Center (www.levyforecast.com) noted that the economic data this winter has brought numerous crosscurrents, among them the drop in petroleum prices, U.S. Treasury yields and most currencies' values against the dollar. But he cautioned clients to keep in mind that “*if the global economy is to hold up through 2015, it is unlikely to do so with any increase in U.S. interest rates.*”

Levy, in the nation's oldest publication devoted to economic analysis, said that “*the emerging market sector, excluding China, still has a serious overinvestment problem, worsening trade balances, depreciating currencies, and correspondingly swelling foreign obligations. Only the extreme declines in oil prices and U.S. Treasury yields have brought some relief, although by no means are all EMs net beneficiaries.*”

On China, Levy disagreed with investors who believe China's economy will keep growing regardless of warning signs, predicting, “*the Chinese economy is ultimately headed for some kind of economic crisis, and just might be getting into real trouble in 2015.*” He cited several disturbing signs of weakness, among them:

- A broad pattern of weakening Chinese orders at international capital goods manufacturers,
- Falling home prices in most major Chinese cities, and
- Reports of less travel and spending by Chinese tourists.

Levy acknowledged that the euro area has fared better recently, primarily due to the euro's slide against the dollar and the fall in oil prices. He said lasting improvement in the euro area would depend on continued demand and economic stability in the rest of the world to maintain its trade surplus, as well as positive developments in Greece and the Ukrainian-Russian situation.

In the United States, he said, *"Housing indicators are behaving favorably even as a strong dollar, a worsening trade deficit, falling energy investment and a cooling manufacturing sector suggest that the profits expansion is stalled."* Nonetheless, Levy wrote, the U.S. economy would likely finish the year expanding if interest rates stay down and the world economy holds up.

"Any serious anticipation of imminent Fed rate hikes would likely undermine asset values broadly, threatening consumer wealth and confidence."

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