
Recession reports - Recovery only by H2 of 2010 - Mr Sorensen

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ET cited Mr Norman Sorensen president and CIO of financial house Principal International as saying that global markets are unlikely to see a sustained recovery till the H2 of 2010. The recovery will be an inflation driven one and not be accompanied job creation

Mr Sorensen said "We will not see a sustained recovery in global markets until the H2 of 2010. Green shoots are obviously emerging. We are seeing some stability in credit markets. Some people are very optimistic. I think, US equities are ahead of them and we are beginning to see some plateau. Hopefully, the earnings season in the US will be viewed positively, but I do not see a sustained recovery till the later part of next year.

He said "The reason for that is unemployment. We have seen 45 million job losses in the US over the past 8 months. This has a huge impact on the consumer economy, as it's almost 70% of the US economy. So, that is the drag, but there will be a recovery later and will be fairly sustained. In 2011, the US could grow 3.5% to 4% because of the inventory reduction.

He added that inflation would be inevitable. The next recovery will have 2 main features. One, it will be a jobless recovery. Secondly, the liquidity that will be pumped into the market will drive inflation concurrent to that recovery. So, it will be an inflation driven recovery. So, you will see commodity prices go up across the world. Unfortunately, this will be a hard thing to contain and central banks, across the world will have to raise rates. I think, the first rate increase in the US could be as early as next April

(Sourced from Economic Times)

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