GOLDMAN'S BLANKFEIN SAYS GROWTH WILL 'SNAP BACK'

Goldman Sachs Group Inc. (GS), who is the fifth-biggest U.S. bank, is preparing for a faster global economic rebound thats more than any of the other forecasters had expected, Chairman and Chief Executive Officer Lloyd C. Blankfein said. ''I don't think that we can conclude that this slowdown is secular rather than cyclical change,'' Blankfein, 57, said today at an investor conference in New York hosted by Bank of America Corp. (BAC)'s Merrill Lynch unit. ''The world will snap back and it will be a surprise and it will be faster than people think. I don't know when that will be and we will gear ourselves accordingly. Goldman Sachs, which used to be the most profitable securities firm in Wall Street history before converting to a bank back in 2008, last month reported its second quarterly loss in 12 years as a publicly traded company. The stock dropped 41 percent this year through yesterday to $99.29, below the company's $120.41 tangible book value per share at the end of September. While noting that the firm is cutting costs and adapting to changing regulation and slower economic growth, Blankfein said he is wary of overacting by assuming the world has permanently changed. He also reminded the investors that Goldman Sachs reported record earnings in 2009 following a quarterly loss of 2008, in part because the competitors pulled away from making markets for clients. ''We're managing our costs, obviously, but we're not thinking necessarily that there's such a radical, structural change,'' he said. ''We want to be in shape for the upturn.'' Blankfein said he expects Goldman Sachs's clients and other ''end-users'' of the investment-banking services to inform regulators to their concerns about the Volcker rule, which will limit banks from trading on their own behalf and from investing in private-equity and hedge funds. He says that the clients are concerned the regulations could reduce market liquidity and make trading more expensive. ''As people weigh the costs to themselves, I think the intensity will rise,'' he said. ''I think user groups will chime in and make their interests known. In fact I'm sure of it.'' Last week, people who are really familiar with the situation said that Goldman Sachs and Morgan Stanley were considering holding some of the loan promises that they make to their clients at the original cost instead of the market cost. Asked to comment on a newspaper report on the deliberations, Blankfein reiterated the firm's beliefs in the importance of mark-to-market accounting. He said that the firm had a debate on how to mark unfunded loan commitments to market. ''From time to time we evaluate how we are marking certain kinds of things,'' added Blankfein. ''Somebody picked up on something, eavesdropped on a partial conversation or something and were, I guess, tapping into a conversation we were having specifically about how --how, not will -- how you mark unfunded commitments that tend not to be drawn down just when they're in the money.''