

## IN U.S. ECONOMY GROWING AT A FAST PACE



The U.S. economy may end 2011 growing at its fastest clip in 18 months, as the analysts increase their forecast for the fourth quarter just a few months after the slowdown raised much concern among investors. The economists at JPMorgan Chase & Co. (JPM) in New York now see gross domestic product rising 3 percent in the final quarter, up from the previous prediction of 2.5 percent. At the start of November, the Macroeconomic Advisor in St. Louis increased its forecast to 3.2 percent from 2.9 percent, while New York-based Morgan Stanley & Co. boosted its outlook to 3.5 percent from 3 percent. "The incoming data on consumption, business spending and residential investment all point to GDP growth in the fourth quarter tracking 3.3 percent," says John Herrmann, who is the senior fixed-income strategist at State Street Global Markets in Boston. Herrmann, who is the second most-accurate forecast of GDP based on Bloomberg data, had been looking for fourth quarter growth of 2.4 percent at the very start of this month. The economy expanded at a continual pace of 2.5 percent in the third quarter. Joseph LaVorgna, who is the chief U.S. economist at Deutsche Bank Securities in New York, said he wouldn't be surprised to see fourth-quarter growth of 4 percent, though for now he is sticking with his forecast of 3 percent. The New York-based Conference Board said today that the index of U.S. leading indicators, designed to foreshadow the economy's performance over the next three to six months, rose 0.9 percent, the biggest jump since February, after a 0.1 percent September increase. LaVorgna said that the strengthening economy will help lift U.S. stock prices, which have been depressed by the sovereign debt crisis in Europe. At 10:53 a.m. New York time, the Standard & Poor's 500 Index rose 0.5 percent to 1,221.98. The benchmark gauge lost 3.8 percent over the first four days earlier this week. "There's too much pessimism built into the market," he said, also adding that the Standard & Poor's 500 Index could break 1,300 by year's end. Yesterday, the stock gauge closed at 1,216.13. Herrmann said that the economic pick-up may push up yields on Treasury securities. He also said that the yield on the 10-year note could rise to 2.25 percent or higher in the first quarter of next year, assuming that Europe avoids a financial catastrophe akin to the 2008 bankruptcy of Lehman Brothers Holdings Inc. According to Bloomberg Bond Trader prices, the 10-year yield stood at 1.96 percent at 5 p.m. New York time yesterday. "We feel confident that the momentum we have heading into the fourth quarter, combined with our holiday strategies, bode well for that quarter," says Karen Hogue, who is the chief financial officer for Cincinnati-based Macy's Inc., which is the second-biggest U.S. department-store chain. "We will have a spectacular Christmas," she added on a November 9 conference call with analysts.

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